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FALL 1954

THE BUSINESS QUARTERLY

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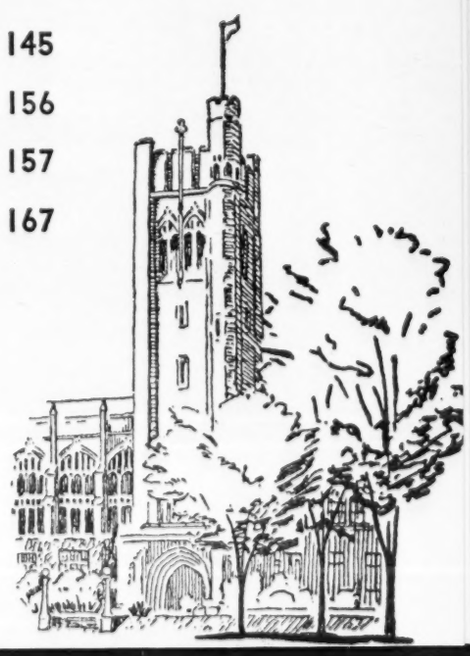

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VOLUME XIX NUMBER 3

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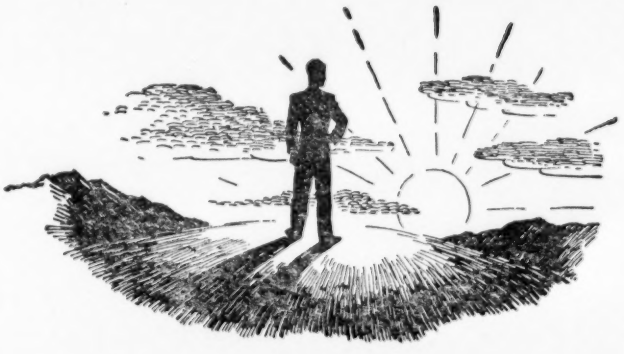

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Editorial . . .

With this issue, The Business Quarterly comes of age. Twenty-one years ago, in Autumn 1933, Volume 1, Number 1 of the Quarterly Review of Commerce appeared, published by the University Students' Commission and the Commerce Club. Its contents included an advertisement, "The Business Administration course merits the attention of young men who have the ability and ambition to make a career", and, amongst others, articles on "The Importance of Accounting to Executives" by P. H. Hensel, head of the Department of Business Administration, on "Current Events" by A. G. Dorland, head of the Department of History, on "Legal Comment" by C. C. Carrothers, and on "Brand Policy" by W. A. Thompson, Professor of Marketing. "Plus ç'a change, plus c'est a même chose." All the last three are still teaching at the University and we publish in this issue with great pleasure Professor W. A. Thompson's contribution "Rivalries in Canadian Retailing". All three and also former Dean Lloyd Sipherd ("Protection for the Investor", "The Problem of Corporation - Stockholder Relation", "Recovery and the Capital Market") and present Dean F. W. P. Jones ("Dividend Stabilization in Canada", "Economic Aspects of Dividend Stabilization") were regular contributors in early volumes. To the Summer 1936 issue, James E. McConnell, Jr., contributed "The Effect of Advertising on the Price of Commodities": to the present isue we welcome his "Advertising Contrasts over Twenty-one Years".

In those days, when editing and production had to be combined with studies and all the other claims on students 'time, the Quarterly had many part-time managers: A. G. Merifield, Managing Editor; G. A. Munro, Business Manager; A. Ross, Sales Promotion Manager; Brock Short, Advertising Manager; W. H. Owens, Circulation Manager; and Professor W. A. Thompson, Consulting Editor.

(Continued)

THE BUSINESS QUARTERLY

VOLUME XIX
Number 3

FALL
1954

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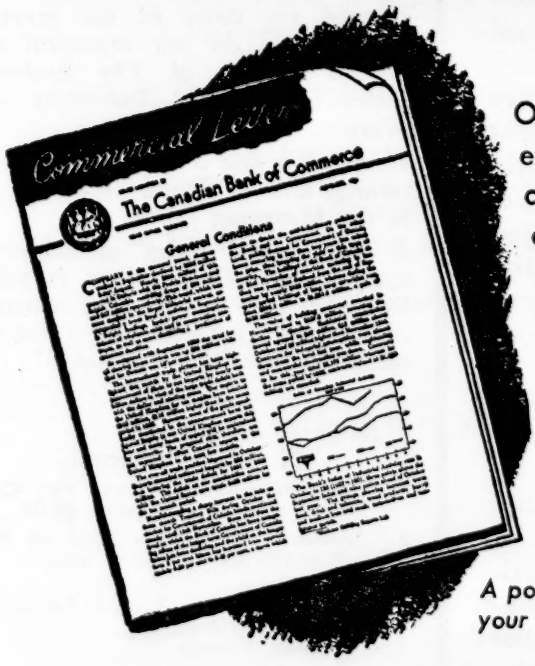

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Editorial . . .

(Continued)

To mark our coming of age, we appear in a new cover, new only because it uses only old motifs in a new harmony. Colour, too, is used for contrast; the sear and yellow leaf for the fall, white for winter, green for spring and cool blue for summer are planned for future issues.

To have survived twenty-one years, spanning depression, war and post-war dislocation, is itself a triumph. Our past issues include as contributors the Hon. D. C. Abbott, George A. Drew, M. J. Coldwell, Solon E. Low, A. R. Mosher, and Percy R. Bengough, and articles on such current problems as the St. Lawrence Seaway appeared in 1941 and Tobacco Marketing in 1939. On this wide-based foundation may we continue to build, brighten and broaden business thinking and prove that we have indeed come of age.

Letters to the Editor . . .

The Editor
The Business Quarterly.

Dear Sir:

My article in your summer issue last year on the gradual unionization of office workers failed to mention, as one of its sources, a Queen's University M.A. thesis, entitled "The Unionization of Office Workers in Ontario" by W. Donald Wood, B.A. (McMaster). I should like you to publish, although belatedly, my acknowledgment to it.

Did you see the following editorial which appeared recently in the Calgary Albertan? It seems to have misunderstood your last issue and editorial.

TOO MUCH GOVERNMENT

"The current issue of The Business Quarterly, publication of the University of Western Ontario's School of Business Administration, is devoted almost in its entirety to a discussion of problems of

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Letters to the Editor . . .

(Continued)

government. Quoting Manitoba Finance Minister Turner's quip that 'We have too much government—but, thank goodness, not as much as we pay for,' the editors of The Business Quarterly observe that the purpose of this special government issue 'at least attempts to show for what we are all paying.'

"It is disquieting, however, to find the editors of The Business Quarterly themselves subscribing to such bureaucratic shibboleths as the 'inner satisfaction in government work.' The issue is, in fact, replete with such phrases. Particularly obnoxious in this sense is the article on the civil service, entitled 'Canada's Biggest Employer.' In it is quoted with obvious satisfaction the remark of the former Deputy Minister of Mines and Resources, Dr. H. L. Keenleyside, who says: 'Perhaps the most important attraction of the service is psychological and arises from the fact that its members are engaged in the task of work for their country. They have the satisfaction of knowing that they are employed on work that, in great degree or small, will affect the lives and fortunes of all their countrymen and directly or indirectly, the future of the State itself.'

"But the editors of The Business Quarterly and their contributors need, clearly, to be reminded that people other than those on Ottawa's payroll are also 'engaged in the task of work for their country.' Oilman and rancher, farmer and industrial worker, miner and fisherman, all have their tasks which contribute, in a greater degree or less, to the welfare and prosperity of Canada."

Yours, etc.,

I. E. Elliott,
Calgary, Alberta.

About Our Authors . . .

Harold J. Chater, Provincial Statistician of Ontario, was responsible for the organization of the Ontario Bureau of Statistics and Research in 1943. He advocates the breaking down of statistical data by geographic regions to make this information more meaningful. The "Sixth Annual Economic Survey of Ontario", reviewed in this issue, provides figures not only for the whole province, but also for each of the economic regions.

Walter A. Thompson, Associate Dean of the School of Business Administration has been associated with the school since his graduation from the Harvard Business School in 1930 with the exception of the war years when he was in charge of the Research Division of the Office of Price Administration in Washington, D.C. He lectures in Retailing and Marketing and is Director of the Management Training Course for business executives.

J. E. McConnell, Jr., has been in the advertising business for almost twenty-one years. After graduating from the University of Western Ontario in Business Administration in 1936, Mr. McConnell entered the firm McConnell, Eastman & Co. Limited of which he is now President and Managing Director. This agency, one of Canada's largest, has now been in business for fifty-one years. Mr. McConnell is also Director of the Canadian Association of Advertising Agencies, Union Acceptance Corporation Limited, and Union Finance Company Limited.

A. Stewart Thompson, Jr., is already known to *Quarterly* readers. His article on "Developing a Management Philosophy" appeared in the Fall 1953 issue. Mr. Thompson is associated with Supersilk Hosiery Mills in London. An interested student of management, he is an active member of the American Management Association, Society for the Advancement of Management, National Office Management Association, and Personnel Association of London.

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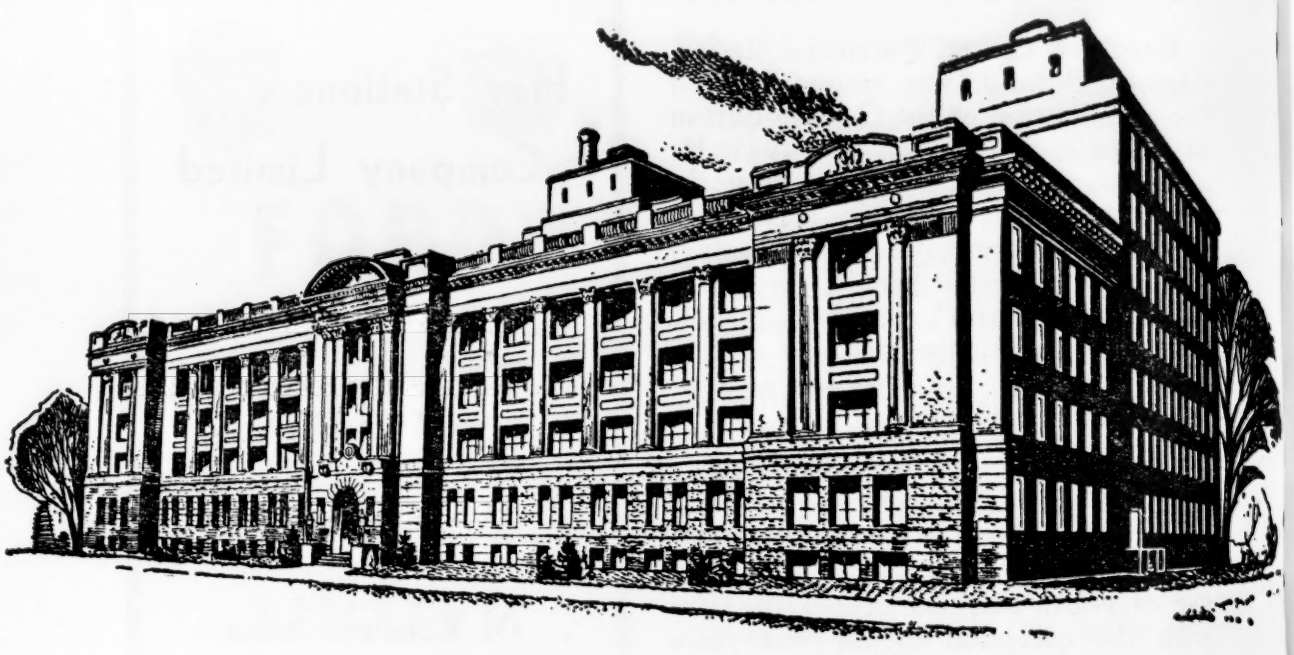

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Advertising Contrasts Over 21 Years

J. E. McConnell, Jr.

The extraordinary growth in Canada during the twenty-one years that The Business Quarterly (formerly The Quarterly Review of Commerce) has been continually published is nowhere more marked than in the advertising field. Birthdays, especially twenty-first birthdays, can be celebrated in many ways. They are times for looking both backward and forward. Here an expert highlights advances in the youngest of the arts, advertising.

TWENTY-ONE years ago, when this magazine was born, an advertising agency consisted of account executives who contacted the clients, copy-writers who wrote the ads, artists who drew the pictures. It was all very simple. Research and Radio departments were in their infancy.

Today, the progressive advertising agency has not only Radio and Research departments, but also departments covering Merchandising, Public Relations, Media, Production and a wide range of other activities, and of course a Creative Department and a group of account executives. On top of this, it makes full use of research organizations such as Starch for copy testing and Nielsen for data on buying habits and trends.

This expansion of agency service is a reflection of a change in business outlook. The guesswork and hit-or-miss marketing of twenty-one years ago are being replaced by a scientific approach to marketing problems, and industry's top management is giving increasing recognition to the advantages of close client-agency relationship.

Just how close this relationship is today can, perhaps, be best illustrated by describing in some detail what goes on when a large, progressive advertiser and his agency go about launching an advertising campaign.

First—every fact that can be gathered about the advertiser's product is assembled—its development, attributes, pricing, distribution, advertising and merchandising, sales and selling expense. Competitive products get the same treatment.

Next—markets are analysed—their location and sizes, potentials and trends, consumer characteristics, and all data relevant to the distribution and sale of the product.

Then this mass of data is correlated, assessed and analysed. Problems are brought into focus. Opportunities are laid bare. As client and agency work together, both in the collection of data and the assessment of problems and opportunities, the end result is clarification and direction to agency-client thinking, plus the elimination of considerable guesswork.

Once the problems and opportunities are determined—and these may range from far-reaching product changes to mere shifts in selling emphasis—the next step is to develop a detailed plan of marketing activity.

The actual advertising budget is then worked out, allotted in relation to sales opportunities and profit margins. Media are selected, based on research related directly to the facts which have been assembled. The basic advertising approach, called a "copy platform", is established, after having taken into consideration product data, market specifications, consumer attitudes, and sales objectives.

Then the copy-writer and artist go to work. They too, have facts to guide them. Organizations such as Starch Advertising Research Service have been busy for years studying why people read advertisements. Their reports indicate which type of illustration, which kind of headline, which kind of copy approach have proved most effective in getting an advertisement read. Using their services, it is even possible to test the effectiveness of an advertising campaign before it is run. This is done by placing one or two advertisements in a single publication and having a readership study made. Regular readership surveys are also used, in combination with sales results, to help determine the sales effectiveness of any given advertising campaign.

This is a far cry from the days—not so long ago—when the client told the account executive about how much money he wanted to spend and, roughly, what he wanted to say. The Agency was expected to do little more than produce the advertisements. These might be approved depending, as often as not, on the client's personal whim or even the likes or dislikes of his wife or office boy. Some fine advertisements were produced under this system, but the chances of producing the most effective advertisements possible were considerably reduced.

I think that anyone who has the opportunity to scan a fair cross-section of advertising produced in 1933 and compare it with current advertising will agree that the general standard has risen considerably. "Reason why" copy has replaced whimsey and "brag and boast" headlines are giving way to a more factual approach. Exaggerated claims are less frequent today, too, though exceptions to these general trends still abound in the pages of our newspapers and magazines. Responsible advertising agencies deplore them and are leaders in the crusade for

honesty in advertising. This is not pure altruism by any means, but is based on thousands of studies which prove conclusively that a statement which does not ring true, will not convince and will not sell.

We all realize, of course, that the application of statistics is no substitute for sound business sense or for creative imagination. But it does give a business executive facts on which to base his judgments, and it helps to direct creative effort into the most productive channels, thus helping to reduce the margin of error.

Advertising agencies have been, at least in part, responsible for the widespread introduction of these progressive merchandising methods. After all, an advertising agency thrives only in proportion to the prosperity of its clients. As agencies attempted to improve the selling power of the advertising they prepared, they realized that the actual spoken or written advertisement was only one part of the whole problem of marketing. In order to do their part of the job successfully, they began interesting themselves in other phases, first of merchandising and distribution, then of actual product improvement and packaging.

As many readers will recall, selling was a real problem in the early thirties. The very difficulties which were encountered gave impetus to the creation of new marketing methods. It was then that agencies began sending men out into the field, to talk to dealers and find out what was required at the retail level. In this way, the agency merchandising department was born. At the same time, markets came in for closer scrutiny. The buying and reading and listening habits of the various sections of Canada were analysed, and so the agency media department was expanded to collect and assess such information, and keep it up-to-date as Canada changed and expanded.

A rapidly-expanding economy has resulted in intensified competition. The mass of facts and figures made available through Government and other sources contain a gold mine of information for those who can sift and interpret them. The advertising agency has taken on this job, too, on behalf of its clients through expanded facilities in research.

To-day, in Canada as in the United States, progressive advertising agencies work very closely with their clients in every phase of their marketing operation. This integration of interests and enlargement of agency service has produced results, both for agencies and their clients, as it has resulted in a more effective investment of advertising and merchandising dollars. Only through complete use of these enlarged facilities and expanded services can the agency business today continue to carry successfully the responsibilities which it has accepted in the direction of modern advertising and merchandising plans.

Rivalries in Canadian Retailing

Walter A. Thompson

Canada, which pioneered the department store, may well see a revolution in retailing in the near future. Many rivals are fighting for pre-eminence in this industry that grossed some $12 billion in 1953. Will the chain store beat the independent grocer? Are the days of the downtown department store already numbered? Here Professor Walter Thompson highlights the present rivalries in Canadian retailing.

UNTIL recently, Canada's retailing machinery retained, more than any of our industries, its basic Canadian character. Canadian manufacturing and mining early experienced substantial inroads by U.S. subsidiaries, but this had not been the case in retailing. Indeed, many Canadian retailing organizations can stand comparison most favourably with counterparts in other countries. The T. Eaton Company, the Robert Simpson Company, Morgan's, Steinberg's, Loblaw's, Dominion Stores are just a few of the firms which set a standard of excellence which goes far to explain the tardiness of foreign stores coming into the Canadian market.

Now U.S. stores are joining their manufacturing colleagues in investigating the possibilities of Canada. Supermarket chains, such as A. & P. and Safeways, have become firmly established. A great deal of publicity has been given to Sears Roebuck's recent deal with the Robert Simpson Company and it is interesting to note that this firm, such a colossus of American retailing, should decide to enter the Canadian market through a purchase of an interest in a going concern.

The U.S. Invasion

What are the policies of this fast growing distributing organization? Many in 1928 thought that Sears and other mail order businesses were headed for hard times. The increase in car ownership, good roads, growing importance of style, were all tending to throttle mail-order selling. At that point Sears expanded into the retail business in store locations. There may be some disagreement over the policies that have resulted in their amazing success. The following have certainly helped: management has watched carefully quality and value, particularly in their private brands; much of their ability to deliver value may be traced to good design and careful handling of the supplier relation-

ship; they have been leaders in the use of informative labeling; Sears were the first important store to have the courage to locate outside the main shopping districts; night openings have been a part of their programme.

Sears' purchase of half of the Simpson's mail order business in late 1952 was followed by almost immediate action. The Simpsons-Sears catalogue was 136 pages larger than the 1952 Simpsons catalogue. Many Sears private brands have been made available in Canada; large numbers of stores have been and are being established; and many Canadians are being trained in Sears methods. The effects of this on competition will be real. Already, the T. Eaton Company has announced an increase in the number of its stores; and the independents are taking steps to strengthen their position. It is thus evident that the most important single recent event in retailing is the entry of Sears into the Canadian market.

The Department Store

In Canada the department store was pioneered and has continued to be a leader. The first Morgan's department store in Montreal was established when stores had windows covered. Customers had to enter to see the merchandise. The T. Eaton Company got under way about the same time as Wanamakers. The Hudson Bay Company is the oldest commercial organization in North America. Canada has, historically, consistently done a higher percentage of its retail business through department stores than has been the case in the U.S.

But the proportion of total retail business done by department stores has been dropping. The percentages have gone down from 13% in 1930 to 9.6% in 1950 and to between 8% and 9% in 1951. It should be remembered, of course, that total retail volume has increased vastly since 1930. The figure for 1930 was just under $3 billion, while over $12 billion worth of goods were sold in 1953.

Canadian department stores over the years have shown unusual managerial skill. Their turnover of executives is a small fraction of their counterparts in the U.S. Group buying associations have been examined with increasing interest since the war. Allied Merchandiser, which includes such "intermediate" sized stores such as Ogilvies in Ottawa, Dupuis Freres in Montreal and G. W. Robinson in Hamilton, was started in 1946. A few years later a group of smaller department stores formed a group buying association. This type of organization has been most helpful in meeting the intense retail competition that exists in the States.

Chains Vs. Independents

The independent merchant, on the whole, is maintaining his position in the face of chain store competition. He has, however, lost some

ground in the food business. This may be due in part to the phenomenal growth of the supermarket chains. Much of their long term financing, incidentally, has been done by a "sale and lease back" arrangement with insurance companies. But much retail business is still done in the smaller towns — where the independent still has the upper hand. In their struggle with the supermarket chains, some independents have sacrificed a measure of their own independence in order to obtain help from their suppliers with whom there has been a significant change in relationship. The recent growth of the Chicago-controlled Independent Grocers Alliance is an interesting example of this tendency. The supplier and retail unit in this instance are completely "married" under their contract — the supplier acting on a fee basis substantially in the same manner as a corporate chain warehouse.

There are, however, two recent legal developments which may affect the really independent merchant. In the past pricing policies of some manufacturers have worked to the advantage of the extremely large buyer. Very large orders have often been priced with little consideration of normal overhead. Large buyers have often bought goods for just a little more than out of pocket costs. This has been particularly damaging to the independent when times were hard, manufacturers hungry for the big buyers' business, and consumers very price conscious. But the law has come to the help of the small man. First, Section 498A of the Criminal Code deals with price discrimination as follows:

> "498A (1) Every person engaged in trade, commerce, or industry is guilty of an indictable offense and liable . . . who (a) is a party or privy to, or assists in, any sale that discriminates to his knowledge, directly or indirectly, or against competition of the purchaser in that any discount, rebate, allowance, price concession, or other advantage is granted to the purchaser over and above any discount, rebate, allowance, price concession, or other advantage available at the time of such sale to such competitors in respect of sale of goods of like quality and quantity."

So far there has been little recourse to this means of defence and the efficacy of enforcement of this section of the Criminal Code remains to be tested. However, the law is there to prevent undue preferential treatment to the large buyers.[1]

Secondly, resale price maintenance legislation may also affect the independent. Most states of the U.S. have established so-called "fair trade" laws. Under these laws it is possible for a manufacturer to set

[1]Canada has not introduced drastic legislation on this point. The Robinson-Patman Act in the U.S. has attempted to place the small buyer in a better buying position. This Act allows price cuts if savings can be proved. This type of legislation is most difficult to administer. Distribution cost accounting has a long way to go before it can be helpful in these situations.

the retail price for his product. Canada has taken the opposite approach. Here the manufacturer has no authority over the final selling price of his article. Various factors led to this revision of the Combines Act. This came during the Korean crisis when it was desirable to use every force to keep prices low and avoid an inflationary spiral. The revision has certainly opened the gate to vigorous competition.

It is difficult to calculate the final impact on retailers of no resale price maintenance. Small tobacco stores are complaining bitterly about cut prices of cigarettes in chain stores. Manufacturers of appliances allow competing outlets to handle their lines and vigorous competition may reduce margins of these branded articles. Big retailers in the U.S. — where resale price maintenance is legal — are now contending with a flood of competition from small stores, discount houses, employee clubs, post exchanges, and a host of other price reducing devices. It is possible that, in the long run, our retailers will be better off forced as they now are to price at competitive levels and head off this kind of under the counter competition. Nonetheless, many are worried over the possibility of runaway price wars.

What is the relative strength of the chain store? Among the trades where chains are strong are: variety articles (84%), shoes (35.7%), grocery and combination markets (34.5%), furniture (24.6%), lumber (23.9%), and women's wear (21.8%). On the other hand the independents dominate meat (95.8%), hardware (94.8%), and restaurants (93.5%). Independents gained ground in the decade 1941 to 1951 in appliances (59.3% to 70.9%), restaurants (90.6% to 93.5%) and drug stores (80.3% to 87.5%). These figures show that the independent is, in the main, holding his own.

Store Hours

There has been a trend, which started during the war, towards longer opening of stores. The small town merchant has traditionally stayed open at least one night in the week end. The suburban stores have adopted this practice and this has been a factor in forcing the issue in down-town shopping areas. The "husband and wife" type of purchase is certainly made more easily in the evening. Some merchants selling goods liable to impulse-buying feel that their sales increase with longer store hours. The Canadian Retail Federation reported at their 1952 meeting the results of their survey on night openings. The study covered 1,209 stores. 65% of this group stayed open one night a week, 9% two nights a week and 14% were open more than two nights a week. Friday was the most popular night to stay open. Only 12% stayed closed during all evenings.

While stores are staying open longer hours, store employees are working fewer hours. Over half[2] the retail clerks in Winnipeg had a

standard work week of from 37½ to 40 hours. In Canada as a whole the proportion working only a 40 hour week has risen from 13% in 1949 to 42% in 1953. Comparatively few employees are members of labour unions. The Dominion Bureau of Statistics reported at the end of 1952 that 31,500 workers were covered by agreements. Many of these were warehousemen. Determined attempts have been made to organize the largest store in the country. It is reported that at least $100,000 was spent in this effort. Dupuis Freres, probably the largest department store catering to French speaking Canadians, was involved in a three month long strike in the early part of 1952.

Self-Service

When a manufacturer is confronted with a high labour cost he usually reviews his methods and machinery situation. He often ends up with a lower net cost after he has spent some money on new machinery and reduced his labour content. It is probable that an increasing number of stores will consider some variation of self-service as a means of reducing costs. The variety chain has achieved phenomenal success by using a semi-self-service. Industries employing traditionally low paid labour have, since the war, had to cope with a larger than average increase in labour costs. Retailers have always had a high labour turnover. In the face of this, the consumer is becoming better educated and demanding more information when she buys. An additional complication is that many of our present day goods are new and information at the point of sale is needed by the consumer. Better packaging, informative labels and point of sale signs plus intelligent advertising meet this situation. Fewer but better trained and paid clerks plus self- or semi-self-service may be of increasing use to the retailer, despite the example of Dupuis Freres in Montreal where, after introducing self-service during their strike, they have reverted to traditional selling. Self-service selling has taken over completely in supermarkets, which are rapidly invading other lines than groceries. Self-service, however, will take skillful managing and much experimentation before adoption in most retail types.

Suburban Shopping

The recently retired president of Metropolitan Stores, Mr. Wallar, recently said that Canada was at least 10 years behind the U.S. in suburban shopping centers.[3] The phenomenal growth of our suburbs plus the great extension in car ownership (the number of cars on the highway has doubled since 1945) have increased interest in suburban shopping centers. Many reasons have been advanced in their favour: there are some who believe that women do not enjoy shopping as much as formerly; there is probably less reason to compare goods at the time of

[2]The Dominion Bureau reports that 57.1% of the retail clerks in Winnipeg worked from 37½ to 40 hours during April, 1953.

[3]Statement made in talk to Retailing class at U.W.O., 1953-54 term.

purchase now; Simpsons-Sears' new class A stores are generally in the suburbs; the insurance companies have a high interest in the movement; the real estate problem of the retailer has never been easy and has been made more dangerous by this development. But so far in Canada there is little chance that downtown areas will collapse because of this development.

Conclusions

The challenges in the existing retail situation are thus many. The rivalries between American and Canadian firms, between store and mail-order shopping, between local store and department store, between chain and independent, between managements and labour, and between customer cultivation and self-service, all these remain unsolved. Many of Canada's best brains have been and are being attracted into retailing. All that we can say with certainty about the future is that we can look forward to an intensification of competition — surely the true safeguard of the Canadian consumer.

Do Your Goods Outshine Others?

Back in 1950 British European Airways were so satisfied with a polish used on the interiors of their aircraft that they also used it on the outside with astonishing results.

In 1951 a member of the King's Flight, seeing a highly polished B.E.A. plane and thinking that no planes should shine brighter than the Royal Flight, got the same polish adopted. Not only did the Royal Flight have a new gleam on their wings: with a high polish an aeroplane reduces its drag the more faster it flies.

The Royal Canadian Air Force at North Luffenham, England, were visited in 1952 by a polished plane of the Royal Flight: the polish was immediately wanted by the Canadians.

So brightly did the Canadian Squadron's planes shine when on visit to U.S.A.F. fighter squadrons, that Valay polish was adopted in 1953 by all U.S. bases in Britain, Germany, France and North Africa.

Do your goods also advertise themselves.

Selling Canadian Goods Abroad

by a Leading Exporter

The Canadian author of this article has so many years' experience of selling Canadian goods abroad, has reached such eminence and made so many friends in the export-import business of many countries that he prefers to remain anonymous in expressing his considered view, that, of all the many ways of selling overseas, agents, importers, trade commissioners, etc., Canadian companies are best advised to establish their own selling branches overseas and do their own job of selling their own products.

SINCE 1939 production has been a major problem of the Canadian businessman and farmer. This problem was well solved—the index of industrial production in 1953 (1935/1939 = 100) was 250 compared with 110 in 1939 and about 165 at war's end. On the same basis, the volume of agricultural production in 1953 was 140 compared to 129 in 1938 and 110 in 1945.

Other countries have also been solving the problem of production. United States industrial production was 2-1/3 times greater in 1953 than it was in 1939, while United Kingdom industry produced 40 per cent more in 1953 than in 1946. Germany, despite defeat and dismemberment was producing 32 per cent more in 1953 than in 1938. Japanese goods too are appearing in increasing volume and variety on the world's markets.

The solution of the production problem has created a sales problem. Many United Kingdom industries had order books in the post-war years which were two or three years in length. Today some of these same industries are looking for orders to keep their labour force employed.

Will Canada Solve the Problem of Selling?

For the first time since the war, the issue for all is how to sell rather than how to produce. To a considerable extent, the future well-being of Canada depends on the success of her efforts to solve this problem. Such success is as important to the producer of manufactured goods and base metals as it is to the farmer on the Prairies or the logger in British Columbia. It is in fact a matter of great national importance.

In 1953 Canada's merchandise imports were worth $215 million more than her merchandise exports. As an international trader of merchandise Canada did not pay her way in 1953. There are other factors in the equation of course,—invisible trade items they are called,—so that this adverse visible balance did not produce a fall in the country's reserves in 1953. Nevertheless, merchandise exports are the most important factor in earning the foreign exchange with which to pay for imports and circumstances are unlikely to arise for some years, if at all, which would enable Canada to run a visible trade deficit of this magnitude consistently. Will Canada solve the selling problem as successfully as she solved the production one? Will other countries do better? These are vital questions to all Canadians.

A goodly number of Canadians have not had to do much "international selling" since 1939. The post-war generation of Canadian executives has still to experience in full the stiff competition of selling abroad. The time has arrived when "know how" in this field is as important as production "know how" was between 1939 and 1953. Export is an art which requires full comprehension. Those who do have knowledge in the field are not always as willing to part with it as are their colleagues on the production line. (This is written with full awareness that, in a number of overseas markets, there are barriers to trade which make it impossible to do business at present, no matter how good the sales effort.)

Successful Selling Techniques

There is no set formula which will resolve all selling difficulties. Techniques will vary with the product as well as with the area where the sales are to be made. The reactions of an Eskimo and a Zulu to a given sales technique are probably more alike than would be those of an American and an Englishman to an identical approach. A high pressure sales campaign which could sell an American might well antagonize an Englishman to the point where he would refuse to buy. There are points of tactics which must be adapted to suit varying circumstances. There are, however, broad lines of strategy which experience has shown to be sound, and any tactical approach is more likely to succeed if it is in consonance with these general principles.

Fortunately we have some recent illustrations of applied "international selling" techniques. Although these efforts were not made under the fully competitive conditions that are in prospect and are somewhat too close in point of time to allow proper perspective, they do indicate the broad lines which are most likely to prove fruitful. They also confirm that those practices which were most successful in pre-war days are still the most productive. One of the best post-war illustrations of these techniques in practice is provided by the "dollar drive" efforts of

the United Kingdom. These efforts have not been universally successful though the value of British exports to Canada rose from £22.5 million in 1938 to £156.8 million in 1953 and to the United States from £20.5 million to £159 million. It is the variation in performance as between different organizations in the same industry that provides a clue to those techniques which are most fruitful.

Advantages of Selling through Own Branch Office

It is as dangerous to generalize in this field as in any other, but one practice stands out so consistently in any study of the problem that it must be given particular emphasis. Those companies do best which undertake their own selling. No agent, no company, is as interested in the sale of a product as is the man who makes it. This is not to say that agents and importers do not have a part to play in an export drive. They have a very important part. They can, and often do carry on a very competent job of selling the products of their principals. They are particularly useful where the volume of business to be expected can never reach proportions which would justify the cost of an office devoted to the sale of one product, or line of products, alone. In such cases, agency arrangements represent about the only avenue open to would-be exporters. They are almost always to be preferred to any attempt to deal direct with users. (It is true that agents are also interested in sales as this is the way they make a living. The fact remains, however, that their interest is more remote. They are interested in sales as such and frequently will concentrate on those items in their collection which sell the easiest or pay the highest commissions.)

Available evidence suggests that where the amount of business offering *could* be large enough to sustain a local sales organization, a local sales organization is the best way to get it. There is, of course, danger in a generalization of this kind but the success of the technique is most convincing. Two instances where it has been outstandingly productive in post-war Anglo-Canadian trade will illustrate the point. One case demonstrates the technique when applied to British exports to Canada, and the other deals with an equally spectacular performance by a Canadian exporter on the United Kingdom market. For obvious reasons the names of the firms involved—and even the products covered—will have to be omitted.

In the case of the British exporter there was a long history of sales to Canada. Before the war, Canada represented their largest overseas outlet but hostilities cut the trade off completely in 1939. In 1945 a beginning was made at restoring the business and the old agency connection was revived. After seven years of effort, the United Kingdom firm realized that it was not sharing proportionately in the growing

Canadian market and the decision was taken to open a sales office in Ontario. In twelve months the volume of business had trebled and, what was equally significant, the cost of selling had been cut by 50 per cent.

In the case of the Canadian exporter, a sales office in the United Kingdom has been in existence for many years. The product involved is available from a number of sources besides Canada and there are nine Canadian firms competing for the market. Only the one Canadian exporter maintains a sales office in the United Kingdom. This one company gets 80 per cent of the business which goes to Canada. Quality and price do not play a part in this performance, it is purely a question of the correct sales technique. These two illustrations are not unique. Almost without exception the experience of exporters in the United Kingdom supports the theory.

Nationality of Overseas Sales Force

A breakdown of the experiences of firms that have established their own sales outlets in overseas markets seems to indicate another interesting conclusion. *As a rule* the venture is more likely to succeed if the overseas sales organization is managed by a national of the country where the sales office is located. Like the generalization about sales offices themselves, this is not universally the case, but it happens often enough to merit careful study.

There are a variety of reasons why these two practices have succeeded. In addition to the fact that nobody is as interested in the sale of a product as the man who makes it, there is a very definite public relations advantage in "belonging" to the country where you do business. Not every market is as obsessed with "nationalism" but all suffer it to some degree—even Canada. Why not capitalize on this situation, especially when there are so many other tangible benefits?

Minimizing Credit and Inventory Risks

The credit risk in overseas trade is minimized when selling through a branch organization. Prices must contain a credit risk component and, to the extent that it can be reduced, prices can be shaded. This is even more vital where consignment shipments are required because the credit risk in such cases is greater. Under highly competitive conditions, consignment shipments are more common and it is certainly more conducive to sound sleep to have heavy unpaid-for stocks in your own possession than in someone else's. The existence of an overseas sales organization will frequently induce an exporter to hold stocks abroad when he would hesitate to do so under other circumstances. Such stocks will make it easier to give the kind of service that a buyers' market demands. In many areas and in many commodities, Canadian

firms will be "remote" suppliers and will suffer a serious geographical handicap. In Western Europe for example there will not be many products offered which will not be available from sources closer at hand. This would apply to virtually every manufactured article, including even pulp and lumber. Quick delivery will be a solid aid to sales when competition gets tough.

There is a further very important benefit which a "local stock" arrangement can provide. Because Canada is frequently further from the market than other suppliers, freight charges become an important segment of landed cost. There are numerous illustrations of Canadian prices being competitive on an f.o.b. North America basis but which are out of line by the time they are quoted c.i.f. Canadian newsprint to India is a case in point. The liner rate on newsprint from Eastern Canadian ports to Bombay is some $16.00 per ton higher than from Scandinavia. This is a most important factor in limiting Canadian sales. Chartering might provide a solution, a practice which would be more feasible if large quantities could be moved a few times a year and stored in the centres of consumption. In addition, charter rates for large vessels are more economic than for the smaller ones. The transport, warehousing and credit complications are much simplified where a sales branch, rather than an agent, is at the receiving end.

Local Service and Assembly

Where any export product requires post-sales service, a local sales office combined with a service set-up is almost invariably the most satisfactory solution. The man who makes a machine, whether washing-machine or watch, is best qualified to put it right when it breaks down. In addition, he has the reputation of his product to protect and hence is more concerned that service and repairs should give satisfaction. It is a fact (perhaps lamentable) that service is frequently a substitute for quality. The best motor car in the world, if it breaks a fan belt which cannot be replaced for a month, is less of a bargain than the very ordinary vehicle which, when a gear is stripped, can be repaired in a couple of hours. In the competitive days we are now in, no service can be too good. German exporters have learned this, they will not sell their motor cars in any market until adequate service and replacement depots have been set up first.

Closely allied to the service aspect is the opportunity which branch organizations provide for local assembly. Very often the cheapest way to market a product in an overseas market is to assemble it on the spot. All the parts may be imported or the assembly may be from a mixture of local and imported parts. Sometimes shipping costs are cut when products are sent "knocked down". In many countries import duties on "knocked down" parts are lower than on completed wholes. What-

ever the circumstances which make it desirable, a branch organization provides the most flexible set-up to cope with these problems when they arise.

Continuity of Sales

There is one further benefit which a branch sales office confers on any company seriously interested in export trade. Too many manufacturers look upon export business as a "stop gap" which they want when they are short of orders at home but which can be abandoned when the home market picks up. A satisfactory export trade cannot be erected on this foundation. If a change in demand should require a cutback on deliveries at home or abroad, the sound exporter will protect his export outlets every time. When the Western world stepped up the pace of rearmament following the Korean crisis, the home demand for machine tools in the United Kingdom was sufficient to absorb the entire production. The machine tool industry was faced with cutting back on exports or letting the home market go short. It was decided that it would be better to cover essential home requirements, if necessary by imports from abroad at higher prices, than to interfere with export orders. The wisdom of this policy is now becoming apparent. A buyers' market has arrived, and the reputation of the British machine tool industry was never higher—for quality of product or reliability as a source.

When a Canadian exporter faces the alternative (as he has very often in the past) of "starving" his home customers or those three thousand miles away, he generally concludes that charity begins at home and that "starvation" some thousands of miles away is easier to contemplate than on his doorstep. The results are damaging to a degree seldom realized. If, however, the export market is serviced by a sales branch or a manufacturing or assembly subsidiary, the chances are substantially increased that this branch will receive no less favourable treatment than the home sales organization or manufacturing division. A blow will have been struck for Canada's reputation as a reliable exporting nation.

Savings of Currency and Taxes

Limitation of imports has unfortunately been a feature of post-war trade in many countries. Here again, a branch sales office can frequently play an interesting part. Where the imports are restricted to a fixed amount of foreign exchange, it is frequently possible to invoice goods at an extremely low level on an "inter-company" basis and thereby increasing volume. The actual price quoted may show a loss to the parent exporting company but this will be offset by a higher profit to the overseas sales office. This practice is feasible only where

no dumping duty provisions exist in the importing country but it is also true that it can really only be used effectively where a branch office is maintained.

As mentioned at the beginning, there is no universal formula for successful export trading. Many products can best be sold through agents. Here too there are good and bad practices. These have been dealt with so often that there is no need to repeat them here. It may be worthwhile, however, to underline the virtue of regular visits by principals to their overseas agents. Too many Canadian exporters have tried to direct their overseas sales from a desk at home. They cannot, or will not, comprehend the differences that exist between the sales techniques in their own and some other market. Even if their agents possessed the writing talents of Shakespeare, it would be impossible to convey in words the intangible atmosphere of a foreign custom or reaction. Until these differences are understood and appreciated, the agent will never get proper support and sales will suffer. A Canadian sales manager, who gets to know all his domestic customers by their first names, will all too often neglect to do the same with his overseas customers where the need is infinitely greater.

Distance does not lend enchantment to overseas trade, it adds difficulties. These difficulties must be minimized by personal knowledge and friendship in the same manner as at home. Never was it more important for Canadians to cultivate these arts. The capacity of Canada to produce, which has been the triumph of the post-war years, will be a liability instead of an asset if the capacity to sell the new output is not developed especially well.

Budgeting for a Return on Investment . . .

At the 1954 Annual Conference of the Canadian Institute of Chartered Accountants, at Winnipeg, Mr. J. M. Thompson, Vice-President and Comptroller of the Canadian Westinghouse Company, outlined how a Planning Guide assisted to develop both a short-term and long-term plan as follows:

"Our Planning Guide sets as its basic objective the obtaining of an adequate return-on-assets as its prime yardstick for measuring the performance of each of its divisions and of the company as a whole.

"I am afraid that the principle of obtaining an adequate return on capital has been overlooked by many of us. The emphasis has been on the margin of profit and volume of sales. This is only natural, since in our accounting statements it is customary for us to show operating ratios as a percentage of sales; few of us extend these ratios to include asset or net worth return.

"Furthermore, in our annual statements we stress, both in the text and by graphs, the relationship of profits to sales in an effort to educate the public to the fact that corporation profits are reasonable and that for each dollar received only a small percentage is retained as profits. Surveys which I have seen have shown that the general public believes that corporation profits are anywhere from 15% to 50% of the sales dollar and that increased costs, particularly for labour, could easily be paid without materially affecting them.

"In our pre-occupation with accounting and with eradicating these misconceptions from the public mind, we have lost sight of the primary yardstick by which success or failure is judged — the return on invested capital to the shareholders. The profit percentage on the sales dollar is of only academic interest as compared to this basic yardstick of performance.

"The original value of fixed assets is used as a means of injecting a rough adjustment factor to provide some equalization between divisions of facility values — old plants built at relatively low cost as compared with new plants built at high cost. This is on a rough assumption that the relative inefficiency of the older plant is compensated adequately by its relatively lower gross value without deduction of accrued depreciation.

"The percentage return-on-assets which has been set for all divisions and for the company as a whole is 20% before taxation. Great emphasis is laid on the fact that those products which fail to yield this return-on-assets hinder the achievement by the company in attaining its overall goal.

"To achieve the best return-on-asset performance requires the maximum utilization of assets to obtain the greatest volume of sales at the highest possible profit margins. By introducing the asset turnover factor to the usual profit margin ratio, the attention of Management is focused on the necessity of capital conservation and utilization. It is extremely important that this simple relationship be made abundantly clear to all operating management.

"To accomplish the profit objective of the company, specific and definite long- and short-term plans must be formulated for actual accomplishment of the desired results. Long-term objectives should be established for each product or product line in terms of:

(a) share of market;		(1) required assets;
(b) sales volume;	plus:	(2) turnover;
(c) costs;		(3) return-on-assets.
(d) operating profits;		

"For instance, these long-term objectives are set out by Westinghouse Corporation for a five-year period and are re-established annually for the fifth year ahead. Thus, objectives established in 1954 are for the year 1959.

"Having determined upon the long-term objectives, a support programme is prepared to develop a series of specific projects for execution which, in their aggregate, will reasonably assure that the long-term objectives are attainable.

"The supporting programmes will resolve themselves into:

(a) sales increasing programmes;
(b) cost decreasing programmes;
(c) asset minimizing programmes.

"The sales increasing programme will cover the usual factors associated with increasing sales such as adding new lines, product changes, improvement of distribution methods, etc., and the cost decreasing programme will include plans for reducing both direct and indirect costs.

"The asset minimizing programme will provide for a review of product lines to eliminate low-volume items, improvement in the manufacturing cycle to minimize work-in-progress inventories, inventory control methods to reduce stocks of parts and finished products, and development of programmes to assure optimum utilization of fixed assets."

The How and Why of Regional Statistics

H. J. Chater

Businessmen grumble at the expense involved in providing statistics and often find the results unhelpful. Yet, in recent years, they have become increasingly aware that statistics gathered on a specific regional basis may often provide the answers for which they are looking. The advantages are obvious — the retailer contemplating going into a suburban shopping centre wants to know, as exactly as possible, details about the market he may expect to reach. He wants to know the buying habits of the people in the surrounding area — perhaps up to sixty miles away. National manufacturers are constantly attempting this process of regional market evaluation, impossible without the existence of regional statistics. The sales manager's problem is to obtain statistics gathered from a region whose boundaries fit his sales territory. As time passes, more and more men occupying the sales manager's office will fit their sales territories to the regions, in Ontario at least, described below by Ontario's Provincial Statistician.

WORKING to provide businessmen and administrations with regional statistics are both federal and provincial statisticians. In Canada, a number of different zoning plans have been initiated, but probably the most intensive study has been made by Dr. E. P. Weeks, Z. W. Sametz[1] and James Davy of the Economics and Statistics Branch of the Federal Department of Defence Production. In a set of papers entitled "Economic Zoning of Canada",[2] the authors describe various theories of delimitation developed in Germany and the United States at some length, and then proceed to explain the methods used to divide Canada into sixty-four economic regions. Although these zones were designed primarily to meet the requirements of the Federal Department in interpreting and forecasting local economic conditions, the authors felt that the system would be of interest to governments, industry and trade, housing authorities and many others concerned with the spatial structure of the Canadian economy.

In Ontario, the present provincial regional system stems from an industrial plan of the province designed by the Canadian Manufacturers' Association in 1940. The scheme was not considered entirely satisfactory as a system of economic zones since it was prepared in connection with

[1]Mr. Sametz is no longer with this branch.
[2]Revised in June, 1954, under the title: "Economic-Administrative Zoning of Canada".

a survey of industrial capacity and hence was weighted in favour of this form of economic activity. In 1947, we approached officials of the Dominion Bureau of Statistics and Economic Research Branch of the Department of Trade and Commerce at Ottawa, requesting assistance in establishing a system of regions in the province based on agriculture and other primary industries, manufacturing, transportation facilities, etc. Data were collected on a county basis and a set of county-outlined maps was prepared to determine the best possible regional boundaries. These boundaries, with only two exceptions, were made to conform to existing county boundaries. The nineteen economic regions so defined were subsequently approved by the Provincial Cabinet and used by the Ontario Bureau of Statistics and Research as a basis for the area distribution of statistical data in its Annual Economic Survey and its Monthly Economic Review.

Provincial Vs. Federal Schemes

The Ontario Bureau has since undertaken a series of studies of these regions, examining each, not only as an entity but also as a group of contiguous counties, subject to possible revision at a later date. References were made to published statistical and textual material on population, industries, commerce, labour force, transportation facilities and other relevant material. In addition, local Chambers of Commerce, Boards of Trade, and municipal officials were invited to submit material. Information about primary industries such as agriculture, fishing, forestry and mining was obtained from the provincial department concerned. As far as is known, this is the first attempt made to present descriptive and statistical data about different areas within the province. These studies were included in the "Sixth Annual Economic Survey" published this year. Income distribution by regions and counties and labour force distribution by the industry groups in regions and counties, two exceedingly useful tools for analyzing regions, were thus made available for the first time.

A consequence of these studies has been a plan to revise the present regional system, correcting the most serious anomalies. In addition to the provincial studies, Dr. Weeks and Mr. Sametz, et al, the authors of the Federal Department of Defence Production Plan mentioned above, have been in contact with the Ontario Bureau in order to establish some measure of agreement on regional boundaries between the Federal and Provincial systems. Their Federal plan is limited by a predetermined scheme of numbering which permits only ten regions in Ontario. The Ontario Bureau of Statistics was unable to accept such a limitation and endeavoured to design a compromise system of regions with boundaries which would enable the Federal system to be matched when certain regions of the provincial plan were grouped together. Federal officials have shown considerable interest and help in this project and it is thought

that a simple but meaningful scheme has evolved from discussions between them and officials of the Government of Ontario.

What Determines Economic Boundaries?

It might be well to consider at this point some of the basic problems in determining the boundaries of economic areas. Certainly no particular system of regions will satisfy all requirements. A system of boundaries drawn on the basis of agricultural characteristics, for example, is unlikely to be satisfactory for classifying industrial data. In the field of marketing, the problem is similar. The marketing zone of a particular industrial centre may be pictured as a series of concentric figures about that centre, each defining the limit of the market area of the product or product group. It would be optimistic to suppose that in every instance those figures would conform to the boundaries of regions chosen on the basis of other criteria. It would seem that the "general purpose" region must be, as the name suggests, a compromise between the conflicting areas defined by various spheres of economic activity.

The point that must be emphasized is that the authors of the Ontario system have not attempted to isolate a "distinctive economy" at the local level. Although these "general purpose" regions cannot meet the requirements of every project in regional analysis, they have an important advantage in that a wide range of statistical data is made comparable within a well-defined geographical area. Thus, the inter-relationships of economic and social factors may be studied. The Bureau has long been aware of the lack of statistical information below the provincial level about population growth and age distribution, labour force distribution by industries, income and many other related factors. It is felt that this material, presented on a regional basis, would be particularly useful to those concerned with marketing and to officials in the provincial and municipal governments.

Continuity Compels Use of County Boundaries

The availability of past figures and their comparability over time can be a serious limitation in determining economic areas. Regional boundaries are usually required to conform to existing minor civil boundaries in order that absolute figures available by small divisions may be expressed on a regional basis by summing. Mention has been made of the use of counties in the Ontario scheme. The use of counties, the primary statistical unit in many census tabulations, has been characteristic of most state zoning schemes in the United States.

The extent to which this method limits the flexibility of the system varies. When the Ontario regional system was first introduced, the county of Halton (a relatively small county in terms of population and

area) was considered unsatisfactory as a unit, since it falls within the orbit of two urban centres. Subsequently, the town of Burlington was included in the Burlington (Hamilton) region. The remainder was left in the Metropolitan (Toronto) region. A problem arises in the Nipissing district where, if the Mattawa River is accepted as the approximate boundary between Northern and Southern Ontario, the district is bisected. In the main, however, the counties are sufficiently compact and homogeneous for the purpose at hand.

The choice of the number of regions will depend on the size and complexity of the whole area and the probable uses of data used in accordance with the system. In general, the more numerous the regions, the closer each will tend to homogeneity, but it is apparent that at one point or another, the additional value gained by the user from having information broken down and available for small economically homogeneous areas does not justify the expense of accumulating the additional data.

The Object of Zoning

The object of the zoning procedure is simply the division of a province into a given number of units, each as homogeneous as possible, but the task of devising rules to accomplish this end is difficult because of the complex and interwoven pattern of economic development. Sametz points out in "Economic Zoning of Canada" that "it must be recognized that in the highly complex pattern of industry today, it is a rare instance where a centre is characterized by one predominant activity. More often, the centre and its environs is a conglomeration of primary, secondary and distributive industries, some of which market their products locally, and others which market their products beyond the borders of the region"

If the regions are to be used for the purpose of determining broad economic and social trends, it is well to use as many pertinent indicators as practical. In the Ontario plan, these included a physiographical and soil study, urban-rural population ratios, distribution of labour force among industries, the nature and the value of the products of primary and secondary industries, and studies of transportation links. Since the county was accepted as the basic statistical unit, county-outlined maps, each dealing with a particular aspect of the economy, were prepared in connection with the project. These proved invaluable as a visual method of collating and analyzing the data.

Consideration of more than one factor implies weighting. Where one factor is relatively more important than another in a particular county, it follows that that factor must be given greater weight in determining the best possible scheme. The procedure cannot, however,

be framed as a precise mathematical relationship. It depends almost on intuitive judgment after an examination of all pertinent material available, and as more and more material becomes available changes in the plan are, of course, inevitable. In Ontario, for example, at the present time, there are seventeen proposed economic areas — a reduction of two from the original number. These may be grouped so as to correspond to the ten Federal regions. It is hoped that, as a result of these changes, based on the results of study and the co-operation of Federal officials, a system of satisfactory economic areas will be established, and that they will fulfill their function of aiding in the assessment of the impact of economic and social trends on a regional basis.

The businessman will thus have available, in the future, regional statistics which will help him to make rational decisions on marketing and other problems. And not only the businessman, but also the administrator may welcome this new development. It should, however, be recognized that this Ontario plan is but the first step towards providing useful information on a regional basis.

The Management Audit

A. Stewart Thompson, Jr.

What is a management audit? How should it be developed and applied? What results can a company expect? Mr. Stewart Thompson answers these pertinent questions for Canadian businessmen. While accepting personal responsibility for the opinions expressed, he also gratefully acknowledges the assistance of Mr. John E. Kusik, Vice President—Finance, Chesapeake and Ohio Railway Company, who reviewed the manuscript and offered several important suggestions.

THE nearer an executive is to the top of his company the more he is paid to wonder. The value of an executive increases with his ability to ask himself and his associates penetrating questions, questions that disclose better ways of doing things, questions that uncover areas for sales increases and cost reductions, questions that expose opportunities to build morale and eliminate inefficiency.

The top executive of a large manufacturing concern recently introduced important improvements because he searched for answers to the following questions:

Is our company and each department working to accomplish specific worthwhile objectives?

Are there functions and activities within our company that should be eliminated because they are not contributing to the pursuit of our objectives?

Have we neglected any functions and activities that are essential for effective company performance?

Do we have the most efficient arrangement of individual duties and responsibilities?

Does each executive regularly review and appraise his duties and those of his subordinates to develop better ways of doing things?

Can weakness in any segment of operations be identified quickly?

Are we doing something about weaknesses that are brought to light?

It is because questions are not asked that many opportunities for improved performance often go undetected. Take for example Company A.

COMPANY A

The vice president in charge of production of this medium sized manufacturing business asked his plant manager whether he had been successful in obtaining applicants to fill a key vacancy in the maintenance department.

"No," said Jake, the plant manager, "we just don't seem to be able to find anyone who is familiar enough with these older machines, and I think we should get someone who has had considerable experience with this type of equipment. Otherwise, I'd have to spend weeks working with a new man to train him, and frankly, I don't think it's worth it."

"What do you mean, you doubt if it's worth it, Jake?"

"Well, I've been going over some figures, and do you know that these machines, or 20½ of our plant equipment, account for 65% of our maintenance costs? Also, the scrap from these machines accounts for a large chunk of waste and rework costs. I know that we have to keep May and Field supplied with product Y, but I've been wondering, do we make or lose money running these old machines? Have we ever thought of scrapping this equipment altogether and letting someone else make the line? I know we've been getting in new machines regularly, but how come we never seem to get rid of the old ones? The last time one of these machines broke down we had to have a new part for the frame made specially. I'll bet three of our men spent four days, if they spent an hour, trying to get the thing rolling again."

"It's a good point, Jake, but May and Field are one of our largest customers. We are one of their main suppliers and if we were to shut down these older machines we couldn't make the Y line for them."

"Well, suppose we didn't make it ourselves. Why couldn't we get B Company to turn it out for us? Even if we resold it under our name at cost we'd probably still be farther ahead."

"Let's get Fred to give us a detailed breakdown of the costs of this line, Jake. Then we can talk it over with Sales and see what they think."

After a considerable amount of analysis and discussion, the management of Company A made the decision to let another company make the product. A would package it under their own name.

The result: gradually the old machines, many that had been operating twenty-five years, were scrapped and the operators absorbed by normal turnover into other jobs or placed on new machines. There was no need to fill the vacancy in the maintenance department.

More new equipment was installed, but this time some of the machines were leased rather than purchased outright. Other significant improvements brought about by this casual conversation saved the company the following year $65,000.

The president of Company A was so pleased with the improvements which seemed so obvious in retrospect that he asked himself why someone had not seen these things earlier. His mind was stimulated to inquire: Are other types of equipment available that would enable us to reduce costs and overhead? Have we been keeping up to date? What other activities have we taken for granted without questioning whether they are paying their way? Are we getting the most from each machine we have? Are we keeping adequate records of output per operator and per machine? Is each department head and foreman on the alert for improvements? Do we sufficiently encourage them and their subordinates to look for new methods and ideas? Am I and my associates too involved in detail operations to plan and supervise properly?

Another example of the advantages of an inquiring mind is the case of Department B.

THE CASE OF DEPARTMENT B

Department B consisted of seventy-five girls, each doing a repetitive operation on individual machines. The supervisor kept a fairly close watch on the total quantity of rework and waste, which was not excessive in comparison with past periods, but one day he decided to go behind these overall statistics and investigate the rework caused by each operator.

He began asking: What is being done about those who turn out more waste and rework than others? Would it be advantageous to have a more frequent contact with the inspectors? How much substandard merchandise results from the pieces that are repaired? Are we repairing some types that end up as waste eventually? Are the machines going fast enough? Too fast? When work is returned to the operators for repair is it recorded so that there is some check that the work is repaired? Is the record of the amount and quality of each operator's production adequate? Do some operators need to be re-trained? What causes waste and rework? How can we eliminate these causes?

The supervisor's inquiry led to several important improvements. The training program was revised. The frequency and method of picking up and recording production were changed. He also found that, unknown to him, the manufacturers of the machines had recently introduced an attachment to correct part of the difficulty that had been

causing waste. He then made sure that he received the important trade journals so that he could keep up to date with the new services and equipment available.

Improvements that took place in this department also enabled savings to be made in subsequent operations.

Said the supervisor:

> "It's too easy to think that you know what is really going on in your department. Take that new attachment for these machines, for instance. I had no idea that our suppliers had corrected the difficulty. We can now get more production by increasing the speed of the machines for our better operators. A few months ago when I asked Ivan, the fixer, he said there was nothing that could be done about all this rework."

Terms and Definitions

Perhaps the term "Management Audit" tends to be misleading. To some it may suggest an examination of the type carried out by the Accounting Department and the public auditors. Because the management audit is not an accounting technique, perhaps the term Management Appraisal is more descriptive. While requiring some special organization, the management audit is not a device divorced from daily operations. It is largely a way of thinking rather than a specific technique or device, an integral part of the job of alert management.

A management audit is a broad and constructive examination and diagnosis of the policies, organization and operations of all phases of a business. Its overall objective is to assist management to achieve the most effective administration of the business. Existing deficiencies in operations are identified and, *providing it is management's wish,* improved.

If a person wants to know the status of his health, then all of the functions of the body should be studied. In determining the health of a business it is also necessary to identify and evaluate *all of the factors* contributing to its well-being.

There are these two important and related types of management audit:

1. A top level appraisal of basic objectives, policies, present and future organization.

2. An intensive review of departmental activities.

1. *A Top Level Appraisal of Basic Objectives, Policies, Organization*

A top level audit may involve only a small group of top executives, although many organizations find it beneficial also to study the opinions

and experience of lower levels at the same time. Results of such a management audit will be improved and more clearly understood objectives and policies, more effective policy compliance, better planning, improved co-ordination and control at the top, correction of organizational weaknesses, better utilization of the time of top executives, and the development and improvement of other general management plans and practices.

2. *An Intensive Review of Departmental Activities*

An overall audit will often eliminate bottlenecks, increase production, improve the yield from raw materials, even workloads, reduce paperwork, and improve layout, methods and procedure, and supervision. Departmental audits are likely to involve a larger number of persons.

Some outstanding results have been achieved by companies who have applied this technique. The value-analysis program of the General Electric Company is an interesting illustration of how audit-type techniques can be imaginatively used within a company. The purpose of General Electric's program is to examine every component part of an existing or contemplated product in order to determine whether, through the use of different materials or designs or through buying from other suppliers, an equivalent product can be produced at lower cost. As a result, the cost of a simple component was reduced from five cents to one cent at no sacrifice of quality and the company made an annual saving of $40,000.[1]

A Check List of Activities

What does the supervisor look for as he makes his rounds? Provision should be made for more than a superficial inquiry into each departmental activity at regular intervals. The supervisor should have a program worked out with his superior for periodically reviewing *all* of the activities, facilities, and the personnel for which he is responsible. The assistance and direction of his superior and also the aid of a staff assistant are usually needed because the supervisor of any operation, because of his closeness to it, can often be blind to poor practices.

One might think that too much attention is diverted to seemingly unimportant details, yet Lawrence A. Appley, President of the American Management Association, stated in the *Management News* of May, 1954:

> "Meticulous attention to so-called finer matters usually indicates sensitivity to quality of products and services, good organization of people and responsibilities, careful delegation of duties and authorities, and thorough inspection and follow-up.

[1] L. D. Miles, "How to Cut Costs with Value Analysis", *American Machinist,* July 14, 1949, p. 109, quoted from "Internal Auditing as an Aid to Management", by William T. Jerome, III, *Harvard Business Review,* March-April, 1953, p. 136.

> . . . Details are normally handled by non-supervisory people. The supervisor, however, must identify the details to be handled and then see that they are handled properly."

Each supervisor and line executive should have a system for reviewing all of the activities and functions that take place within his department. Provision should also be made for reviewing inter-departmental activities.

The departmental audit can be aided by identifying and listing for each department all of the activities and the main factors affecting each. Each point is scheduled for review at specific dates by the supervisor. Subordinates will be delegated certain phases of the departmental audit. The supervisor will retain for himself important items, but he will oversee the entire audit and review it at regular intervals, comparing performance to established standards.

The Need for a Management Audit

Subordinates will do what their superiors inspect.

While management through its financial audits and quality-control programs inspects certain aspects of the business, there is a need to review other vital factors as well.

The problem is not one of establishing a new function, the management audit, as another activity within the business. Of necessity there is in any business some form of performance appraisal regardless of how inadequate or haphazard. However, there is an awareness in many companies that this appraisal — the management audit — requires more formal recognition as a vital activity, and that it deserves to be more *systematically developed and applied.* Seen in the proper perspective, however, the management audit does not usurp the responsibilities of anyone. It is a job to be done by operating executives with whatever staff assistance is needed by them to get the work of appraising the performance of their department accomplished systematically.

Because there is a need to be alert to changing conditions within and without the business and to adapt the organization to them, because there is a need for the business to be self-improvement conscious, to be looking for new areas for cost reductions and new sales opportunities, there is a need for continuous appraisal and re-appraisal of policies and performance to maintain the company's competitive flexibility.

How Should A Management Audit Be Conducted?

An activities check-list is used by maintenance personnel to make sure that each moving part, bearing, and assembly of the machinery is

subjected to periodic scrutiny, and movements greased when necessary. Such a check-list is used to prevent machine breakdowns, to detect points of wear, and to assure the responsible person that this equipment is running as it should. It is also used to bring to light causes of poor performance so that effective action can be taken before an emergency is created.

An activities check-list which will be augmented and changed as time and experience dictate, provides an important tool for executing the management audit by company personnel throughout *all levels* of the organization.

It has been asserted that the average business should have a management audit at least once every two years. Others have suggested an annual management audit. While there is a need to re-appraise objectively annually basic goals, policies, and organization on a formal systematic basis, other vital factors affecting company performance deserve even more frequent consideration. In consequence, although provision is made for periodic broad appraisals, many companies carry out an appraisal of current operations continuously.

In these organizations, top management's attention is constantly directed toward matters of morale, objectives and policies, towards the appraisal of company performance in general and of certain departments and activities in particular. In this case, the management audit attitude is so inbred in the administrative philosophy of the business that objectives are regularly appraised and better ways of doing things are continually sought by all levels of management.

Strong Top Management Backing Necessary to Achieve Maximum Results

The chief executive should not just "support" the management audit if he wants to obtain the best possible improvement in operations. He should personally promote this program of research in all phases of the business. He should create the proper climate. He should believe in it. Passive, indifferent support of someone else's "good idea" is rarely enough.

The chief executive may delegate to one of his assistants the responsibility for maintaining the management team's active interest in the management audit. On occasion, he may appoint a member of his staff to spearhead a special "campaign".

One of the best means of manifesting the chief's concern with the management audit is for him to recognize and reward the executive who does an excellent job of streamlining his department as a result of it.

Who Conducts the Management Audit?

(1) A management committee
(2) The chief executive or department head
(3) The line executive with the aid of a company staff assistant or staff department
(4) An outside consultant:
—to do the complete audit under the direction of a responsible executive
—to solve problems brought to light by the company's personnel during the course of their audit.

1. *A Management Committee*

Some companies have found that an Operations Review Committee composed of top executives meeting quarterly or half-yearly for the purpose of appraising policies and overall operations promotes thorough discussion of general management activities and problems as well as develops new ideas and improvements on this echelon. On a regular basis each department head is required to outline his plans and objectives for the coming period and to discuss the methods, organization and personnel by which he expects to attain them. Creative thinking is stimulated in this process.

Such a committee-type of review can also be held in a systematic way in descending levels of the organization. There is much to commend this activity. A review of this type is most successful if it is preceded by a thorough analysis by each individual executive of his functions and activities.

2. *Department Head*

At the top level the president himself may conduct various aspects of the audit by simply reviewing with his associates with the searching outlook of an inquiring mind the plans, performance, policies, and objectives and organization of his business in general and of various departments in particular. Obviously, when the president asks certain questions he is likely to stimulate a chain of inquiry that will result in the taking of action at lower levels. The same thing is true when a supervisor or department head reviews the work being done in his segment of the business. The imaginative executive who has the faculty for asking pertinent questions at the right time informally conducts his own management audit with a considerable degree of success.

3. *The Line Executive*

The line executive may find that a qualified Staff Assistant will expedite the management audit by relieving him of some of the detail. Particularly if the company has not undertaken a project of this type

before, there will likely be a considerable amount of preliminary work to do. Pertinent correspondence and directives as well as company records and reports will be accumulated, certain literature may be reviewed, lists of duties and responsibilities will be compiled and perhaps layout diagrams and flow charts will be prepared. A Staff Assistant may be helpful in gathering information and preparing plans under the direction of the responsible line executive.

No person should be assigned to such a job with the idea of being a "front office spy". The motive behind the audit must be sound. Secrecy is to be avoided.

4. *An Outside Consultant*

Qualified management consultants have been helpful in drawing to management's attention opportunities for improved performance. There may be good reason for a management to seek the advice of outside counsel when appraising its policies and operations. Sometimes management is disappointed to find that the suggestions brought forward are not as complimentary as was expected. The advantages of using outside management services have been well covered in business literature.

Some managements feel that there should be within the company the means and abilities whereby the appraisal of operations is undertaken without resource to outside help. They express the opinion that the company strengthens its management effectiveness if it does the job itself even though in certain phases of operations it may not immediately achieve technical perfection. The chief executive, it is felt, should use his own line and staff personnel to dig out facts and develop recommendations for improving operations. Of course, time must be set aside from the details of daily operations to do this job. Certain problems of a highly technical or specialized nature may require an outside specialist to solve if such a specialty is not provided for within the company.

What Results Can Be Expected?

Sometimes the study of a seemingly simple problem will reveal widespread defects and lead to important improvements.

One company, a quality producer in its industry, suffered a heavy loss of sales due to an expansion of the price margin between its own products and those of competitors. A firm of management engineers was engaged and, through simplification and balancing necessary work hours to work units, was able to make recommendations which resulted in a reduction of $1,270,000 in annual manufacturing costs. This enabled the company's management to reduce its prices to meet competition while maintaining quality, and to increase sales volume considerably beyond the company's highest previous level.[1]

[1] A. P. Wilson, "The Management Audit Comes of Age", *The Controller*, September, 1950, quoted from a digest in the *Management Guide*.

While the results achieved in this case are considerable, often less obvious problems will be identified during the course of an audit, and while savings could not be measured precisely in dollars and cents, improvements will be brought about that will make a significant contribution to more effective operations over a course of time.

Given below are some of the specific results that might be expected from a management audit.

(1) Clarification and better understanding among all levels of management of basic objectives and responsibilities of the company

(2) Better organization through clarification and improved arrangement of individual duties and responsibilities

(3) Simplification of management organization

(4) Improvement in method of developing and enforcing policies

(5) Development of adequate "feedback" into operations of reports of departmental and company performance

(6) Elimination of unnecessary jobs, paperwork, duplication

(7) Improvement in operating procedures

(8) Identification of new uses for company products, new customer services

(9) Quicker processing of customer orders, better service and increased customer satisfaction

(10) More effective exploitation of foreign and domestic sales potentials, better use of selling time, improved sales presentations, better selection and training of sales staff

(11) Better control of production and inventory

(12) Better utilization of inventory investment, reduction of surplus and obsolete stocks

(13) Elimination of wastes caused by excessive tolerances, standards, product components that add little or nothing to the use, value or saleability of the product

(14) Improved product design, packaging, customer appeal

(15) Recognition of long-term trends requiring attention

(16) Initiation of or improvement in a capital equipment replacement programme

(17) Provision for development of successors, new positions, strengthening weak performers

(18) Increased purchasing efficiency

(19) Conservation of capital through better utilization of men, materials, machinery, and floor space

(20) Identification of opportunities to improve morale and develop spontaneous co-operation and co-ordination.

A sound organization structure means that the framework for effectively managing the business is already in existence. It is often wise to undertake a thorough appraisal of the organization structure and to strengthen any weaknesses before proceeding with other improvement programmes.

Conclusion

By means of a management audit a manager is aided in his efforts to improve the spirit and efficiency of his enterprise by systematically appraising and improving each activity, function, and phase of operations. He is aided in determining current and long range objectives for his business and in assuring himself that these objectives are being pursued effectively.

The management audit directly aids the process of intelligently planning and controlling the enterprise. It is a part of effective management, not a substitute for it. It is an approach that finds its maximum usefulness in the hands of competent personnel.

Few businesses remain successful over the years by maintaining a status quo. The stimulation of creative thinking within any organization is required if it is to operate with maximum success, if it is to grow and develop. A continuous self-improvement programme is needed in any company that is anxious to make maximum use of its profit potentials.

Those organizations and individuals who are concerned lest complacency and blind obedience to tradition and habit develop dry rot and excessive costs in their undertakings are conscious of the need for self-criticism. In such businesses this attitude is inbred in the method of management. Creative thinking on the part of individual executives and their subordinates is expected. The climate of the organization is such as to encourage the development of new ideas, the taking of new approaches. The "Management Audit" — the appraisal and reappraisal of organization performance — is going on continually, sometimes openly, other times in the private contemplation and planning of individual executives.

The 25 Favourites of the Investment Experts

Into what companies have the investment managers of Canada's 12 leading mutual funds and 12 largest insurance companies put the bulk of their investments? Here are the answers, based on research during a course of investment management at the School of Business Administration.

At January 1, 1954:	Market Value of Shares held by Funds	Insurance	Total
1. Bell Telephone	$2,410,000	$3,333,000	$5,743,000
2. Aluminium	2,408,000	3,002,000	5,410,000
3. International Nickel	3,523,000	1,832,000	5,355,000
4. Steel Company of Canada	2,354,000	2,984,000	5,338,000
5. Consolidated Paper	3,475,000	977,000	4,452,000
6. Consolidated Mining and Smelting	2,519,000	1,675,000	4,194,000
7. Imperial Oil	1,034,000	3,154,000	4,188,000
8. Bank of Montreal	1,464,000	2,227,000	3,691,000
9. B.A. Oil	2,060,000	1,545,000	3,605,000
10. Price Brothers	2,156,000	1,313,000	3,469,000
11. Hiram Walker	2,606,000	672,000	3,278,000
12. Powell River	2,600,000	672,000	3,272,000
13. Bank of Nova Scotia	1,069,000	2,154,000	3,223,000
14. Canadian Bank of Commerce	1,366,000	1,781,000	3,147,000
15. Noranda	1,793,000	1,113,000	2,906,000
16. Royal Bank of Canada	1,232,000	1,643,000	2,875,000
17. Asbestos	1,754,000	551,000	2,305,000
18. Shawinigan Water and Power	1,560,000	630,000	2,190,000
19. Page Hersey	1,716,000	391,000	2,107,000
20. Dominion Bridge	1,564,000	482,000	2,046,000
21. Canadian Pacific Railway	1,442,000	456,000	1,898,000
22. National Trust	.....	1,878,000	1,878,000
23. Industrial Acceptance	1,705,000	50,000	1,755,000
24. Bank of Toronto	.....	1,588,000	1,588,000
25. Consumer Gas Co. of Toronto	.....	1,377,000	1,377,000

In what companies do these mutual funds and insurance companies hold the highest percentages of shares outstanding and what are these percentages?

	Market Value of Shares held by Funds	Insurance	Total	% of Outstanding Shares held by Funds	Funds & Ins.
1. Building Products	$1,172,000	$ 136,000	$1,308,000	6.83	7.62
2. Bank of Toronto	.....	1,588,437	1,588,437	....	6.23
3. Consumer Gas Co. of Toronto	.....	1,377,337	1,377,337	....	5.61
4. Asbestos	1,754,000	551,000	2,305,000	3.98	5.23
5. Bank of Nova Scotia	1,069,000	2,154,000	3,223,000	1.69	5.09
6. Price Brothers	2,156,000	1,313,000	3,469,000	3.03	4.87
7. Industrial Acceptance	1,705,000	50,000	1,755,000	4.62	4.76
8. Steel Company of Canada	2,354,000	2,984,000	5,338,000	2.11	4.70
9. Imperial Bank of Canada	.....	1,243,742	1,243,742	....	4.61
10. George Weston	1,068,000	.....	1,068,000	4.41	4.41
11. Page Hersey	1,716,000	391,000	2,107,000	3.57	4.38
12. Dominion Bank	.....	959,680	959,680	....	4.28
13. Consolidated Paper	3,475,000	977,000	4,452,000	3.31	4.26
14. Dominion Textile	.....	774,126	774,126	....	4.15
15. Canadian Bank of Commerce	1,366,000	1,781,000	3,147,000	1.40	3.22
16. Powell River	2,600,000	672,000	3,272,000	2.36	2.96
17. Bank of Montreal	1,464,000	2,227,000	3,691,000	1.12	2.83
18. Shawinigan Water and Power	1,560,000	630,000	2,190,000	1.79	2.51
19. Hiram Walker	2,606,000	672,000	3,278,000	1.78	2.26
20. Noranda	1,793,000	1,113,000	2,906,000	1.35	2.19
21. Royal Bank of Canada	1,232,000	1,643,000	2,875,000	.93	2.18
22. B. A. Oil	2,060,000	1,545,000	3,605,000	1.23	2.16
23. Abitibi	940,000	235,000	1,175,000	1.51	1.88
24. Aluminium	2,408,000	3,002,000	5,410,000	.57	1.28
25. International Nickel	3,523,000	1,832,000	5,355,000	.71	1.07

Book Reviews

SIX UPON THE WORLD—

Towards an American Culture for an Industrial Age

by Paul F. Douglas. Little, Brown and Company (Canada) Limited, Toronto, Ontario, 1954. 443 pp. $5.50.

The gin-sodden woman reeling home singing on a Saturday night when barmaids have called their last "Time, gentlemen, please" and the pubs have closed their doors has been seeking the kingdom of God but along the wrong road, once said Studdert Kennedy, British First War padre and founder of Talbot House (Toc H) service organization. All of Paul Douglass's leading six Americans are also seeking the dawn of a better world. Despite their various backgrounds and achievements, all seem agreed that society holds in its hand the apparatus required to make man's timeless dreams come permanently true.

Author Paul Franklin Douglass began his career as a reporter on the Cincinnati Post, served two terms in the House of Representatives and one in the Senate of the General Assembly of the State of Vermont, and eleven years as President of The American University in Washington, D.C. During World War II he was Chairman of the United Nations War Relief in Washington, D.C. He has served publicly as President of the Association of Urban Universities, as a member of the Motion Picture Advisory Board of E.C.A., as an advisor to the President of the Republic of Korea and counsel to the Ministry of Foreign Affairs, as President of the American Section, United Nations League of Lawyers, and as Chairman of the National Personnel Advisory Committee of the National Recreation Association. From this varied background, Dr. Douglass has selected six Americans, and after writing their biographies, gives the subtitle to his book, "Towards an American Culture for an Industrial Age". His six are: "Harry" Spellman, the Cardinal administering the richest and most influential arch-diocese in the Roman Catholic Church; "Bill" Foster, Chairman of the National Committee of the Communist Party; "Jim" Conant, President Emeritus of Harvard University and United States High Commissioner for Germany; "Al" Sloan, Chairman of General Motors, the largest corporation in the world; Paul Hoffman, Chairman of Studebaker and former President of the Ford Foundation, richest charity in the world; and Walter Reuther, President of the largest trade union.

After excellent biographies of each, Dr. Douglass draws his conclusions. "Perhaps the General Motors Technical Center stands as the symbol of this era of advanced technology quite as much as the Amiens Cathedral is representative of the ordered Continental Christian society. It is the contemporary cloister . . . The American social order of which this monumental Center stands as a symbol is presided over by a secular trinity — the scientist, the engineer, and the industrialist. Their fruitful teamwork makes inexorable demands upon the community which it serves." The necessary society has nine requirements: (1) a continuous inflow of quantities of high-quality young men; (2) a mobile and non-stratified society which keeps open a roadway to the top for talented and ambitious youth; (3) a climate of competition which stimulates good men to rivalry to surpass the best performance of other excellent men; (4) a free and unmolested forum for the discovery and discussion of ideas; (5) a steadily increasing current of consumer spending; (6) the recognition of the fact that the human being is not a commodity to be bought and sold according to supply and demand in the market place; (7) acceptance of the inevitability of corporate bigness in economic life; (8) a freely trading international community; and (9) a literate and active citizenry possessed of civil courage.

Interesting as are Dr. Douglass' biographies and future framework of American society, he certainly never gets near any synthesis of his six characters. Each is aiming at the same goal by different roads. Certainly, too, his use of the word "culture" is misleading; he is interested rather in economic sociology, and to justify in the title the words "American culture" he should surely go beyond auto and union bosses, a leading Cardinal and University President to those who may be said to be more representative of American culture, to such colourful characters as Frank Costello, Paul Robeson, Leo Durocher, Marilyn Munroe, Arthur Godfrey, and Senator McCarthy.

—A. Gordon Huson
Associate Professor
U.W.O. School of Business Administration

THE UNIVERSITY TEACHING OF SOCIAL SCIENCES—

Political Science

Published by Unesco, Paris, France. Available at University of Toronto Press, Toronto, Ontario, 1954. $1.50.

Unesco has just published in its series "Teaching in the Social Sciences" a report on the teaching of political sciences. This is a companion volume to those on the facilities available in Britain and France, reviewed last spring, and had its inception in 1950 when Unesco's General Conference decided that types of courses and methods of in-

struction in the social sciences should be surveyed in eight countries, Egypt, France, India, Mexico, Sweden, the United Kingdom, the United States and Yugoslavia. In 1951 the International Political Science Association accepted to undertake on behalf of Unesco the study into the teaching of political science.

The present volume contains the results of surveys in the eight chosen countries and material from supplementary reports from Canada and Germany. It is not only the work of its author but also the product of an international interchange of thinking and of co-operative effort. Its ten chapters cover in detail the scope, content and nature of political science, a brief conspectus of the countries, the aims of political science teaching, the subjects with which political science can be most effectively associated for teaching purposes, international relations, the status of political science in the university and its relations with other disciplines, methods, training and recruitment of teachers, the co-ordination of teaching and research, and the problems and needs of political science.

—A. Gordon Huson
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SIXTH ANNUAL ECONOMIC SURVEY OF ONTARIO

Ontario Bureau of Statistics, 1954. 290 pp.

BUSINESS YEAR BOOK

Maclean-Hunter Publishing Company, Limited, Montreal, Quebec, 1954. 184 pp. $3.00.

Businessmen who are looking for a better basis for future planning than "a feel for the future in the seat of their britches" are better served in 1954 than ever before. As outlined in his article in this issue of the Business Quarterly, the provincial statistician of Ontario, Mr. H. J. Chater, is leading the way among statisticians in the preparation of figures according to "economic areas". His "Sixth Annual Economic Survey of Ontario" provides figures not only for the whole province, but also for each of the nineteen economic regions into which the province has been divided for statistical purposes. Businessmen are thus able to get a much clearer picture of any particular area in which they are interested, the identity of which is not lost by inclusion with figures from other areas of the province. Considering the amount of work which is necessary in order to produce such regional figures, the production of a survey dealing with 1953 by mid 1954 represents a great achievement.

The "Business Year Book", published by Maclean-Hunter, and now in its thirtieth edition, provides figures for a market survey of all

Canada's provinces, cities and major towns and also special reviews of the major economic and business indicators of the nation. Its first section surveys the market in the most populous areas of each province and provides comparative provincial, county and urban market data. Its second section includes figures of the national income, employment and wages, foreign trade, price movements, public finance and taxation. Its third section reviews each of the dozen leading Canadian industries.

Whether planning for the future or preparing a speech, the Canadian business executive will find useful both these surveys.

—A. Gordon Huson
Associate Professor
U.W.O. School of Business Administration

NEWSPRINT TRENDS, 1928-1965

Unesco Publications, Paris. University of Toronto Press, Toronto. $0.40 each.

Unesco has published three reports, as Nos. 10, 11 and 12 in its series of papers on mass communication, which review the past history of the printing and writing paper problem and forecast demand in 1955, 1960 and 1965.

Number 10, "Newsprint Trends 1928-1951", and Number 11, "Paper for Printing (other than Newsprint) and Writing 1929-1951 Trends" contain detailed information on the production, exports, imports and consumption of printing and writing paper, in every country and territory in the world, since the beginning of the Great Depression.

The percentage of world newsprint production accounted for by Canada rose consistently from 1932 to 1945. Moreover, Canada is the only newsprint producing country to have shown a really large increase in newsprint production in 1951 over 1935-1939. In the six years following the end of the Second World War, Canadian newsprint production rose from approximately 3,260,000 metric tons in 1945 to slightly over 5,000,000 tons in 1951. In 1948, the first post-war year when the pre-war level of newsprint supply was attained, the United States and Canada were together consuming 4,959,000 metric tons or 46% more newsprint than pre-war, while all other countries together had a supply of 1,121,000 metric tons or 29% below the corresponding pre-war figure. In 1951, the net growth of approximately 2,241,000 metric tons in world newsprint consumption over pre-war was still more than accounted for by increased consumption in the United States and Canada (2,340,000 metric tons over pre-war). Consumption in 1950-1951 in Canada and the United States together was 67% over pre-war, while Europe then consumed 21% less than pre-war.

Number 12, "Tentative Forecasts in Demand in 1955, 1960 and 1965", was prepared at Unesco's request by the Intelligence Unit of "The "Economist", London. The basis for the forecasts is an analysis of demographic and illiteracy trends, the availability of educational facilities, the trend of domestic paper production, political developments, and economc developments.

According to these estimates, the world demand for newsprint in 1965 would be slightly over 15,500,000 metric tons, demand in the different regions being as follows: Canada and the United States of America, 7,774,000 tons; Europe (excluding U.S.S.R.), 3,914,000 tons; Far East, 1,024,000 tons; U.S.S.R., 1,000,000 tons; Latin America, 895,000 tons; Oceania, 370,000 tons; South Central Asia, 191,000 tons; Africa, 179,000 tons; South East Asia, 137,000 tons; Near and Middle East, 56,000 tons.

An increase in production of nearly 6,300,000 metric tons would, therefore, be necessary between the average for 1950-1951 and 1965 in order to satisfy the expected increase in demand during that period. Expected world demand for newsprint in 1955 is estimated at 2,120,000 metric tons over the 1950 to 1951 average level of consumption, the corresponding figure for 1960 being put at 4,030,000 tons.

World demand for other kinds of printing paper and writing paper is expected to exceed 12,000,000 metric tons by 1965.

—A. Gordon Huson
Associate Professor
U.W.O. School of Business Administration

THE COMMONWEALTH UNVERSITIES CONGRESS

I Introduction, *Sir Hector Hetherington.*
II A Malayan View, *Sir Sidney Caine.*
III The problem of Exchange, *Sir Arcot Mudaliar.*
IV A Comment from the United States, *Harold W. Dodds.*
V Afterthoughts and Proposals, *Norman Mackenzie.*

Universities Quarterly, Spring 1954, pp. 122-152. London, England.

Five articles in the February issue of the *Universities Quarterly* give information about the Association of the Universities of the British Commonwealth and offer some assessment of its work. The Association is primarily concerned with encouraging and facilitating mutual help and understanding among the Commonwealth universities. It arranges various meetings and through its Bureau assists the exchange of academic personnel.

First among the meetings is the quinquennial congress of delegates from the Commonwealth with the opportunity for formal and informal

discussion of common problems. The first congress at London in 1912 drew delegates from fifty-four universities; that at Cambridge in July, 1953, had one hundred and two Commonwealth universities represented. By invitation ten presidents of American universities attended. The topics discussed were not new. They included the relation of government and universities, academic mobility, the classics, technological education and the admission of students. These are old subjects but as Sir Hector Hetherington of Glasgow remarked, "There are no brand-new problems." The repetition is justified because conditions and emphasis change and the participants and listeners vary from congress to congress.

The second kind of meeting is that of the vice-chancellors, or administrative heads of universities, which meets during the week immediately preceding the congress. Both the congress and the vice-chancellors' meetings have been held in the United Kingdom. Since the war, however, the executive of the Association has met in some of the Commonwealth countries outside the British Isles. During early September this group assembled in Kingston, Ontario, and thereafter the members individually visited several universities in Canada and the United States.

These three kinds of meetings provide for the interflow of ideas and suggestions, but despite them and the work of the Bureau there is still a sense of academic isolation in many parts of the Commonwealth. Sir Arcot Mudaliar of the University of Madras and Sir Sidney Caine of the University of Malaya feel strongly that there should be more interchange than at present between the so-called under-developed countries and other parts of the Commonwealth. They point out that there are unusual opportunities for research and study in their countries. The Vice-Chancellor of Madras maintains that the usual kind of professorial exchange is almost impossible and that when it is achieved, it is not satisfactory. He therefore suggests that each university create a few extra chairs to be filled by visiting professors who would not perform the usual routine duties of the host university. He and Sir Sidney Caine emphasize the benefit to both the professor and the university he visits.

President Norman Mackenzie points out that the congress of 1953 met under the shadow of the violent revolutionary movements of the past forty years which have produced authoritarianism even among some groups of people in our own countries. It is, then, understandable that in these articles the expression "academic freedom" occurs again and again. Admittedly at the congress the discussion of it stemmed from the financial relations of governments and universities. Though little fear of direct interference was expressed, there was the uneasy realization that the development of universities may be directed by governmental support of specific kinds of work, notably in the natural sciences. President Harold W. Dodds of Princeton, one of the ten American

visitors, sensed the feeling that constant vigilence is necessary to protect and preserve the generous freedom now enjoyed. It may be not only because of environmental differences that he and his colleagues agreed that no counterpart of the British University Grants Commission could be erected in the United States. As Sir Philip Morris of Bristol said at the congress, "Associations of universities and congresses of this nature help to strengthen the bastions against interference."

—Frank Stiling
Principal of University College
and Dean of Arts and Science
The University of Western Ontario

AN INTERNATIONAL ECONOMIC SYSTEM

by Jacques J. Polak. University of Toronto Press, Toronto, Ontario, 1953. 179 pp. $4.75.

Reference to foreign trade in Canada is often disparaging. Writers deplore "Canada's vulnerability because of her inevitable dependence on foreign trade". Foreign trade seems to be regarded something like a public swimming pool from which good Canadians should be kept in case they should catch polio, mumps or measles. Is it not through foreign trade that an economy running smoothly with full employment catches the germs of depressions and economic setbacks? Dr. Jacques J. Polak gives a fully documented statistical answer, sufficiently advanced statistically to make his book hard going for economists, sufficiently economic to make his book difficult for statisticians. Dr. Polak is Deputy Director of the Research Department of the International Monetary Fund. Previously he served as Economic Adviser to UNRRA, Economist with the Netherlands Economic Mission and Specialist at the League of Nations.

Yet his theme is a very simple one. It aims at showing how certain elementary relationships, the significance of which in national economies is already well-known, can be transferred to the field of international trade. The experience of the 'thirties taught us the importance of effective demand as a factor determining the sales of different industries in the home market; this study stresses the effects of the same factor, effective demand, upon sales by different countries in world markets. In the last fifteen years investment expenditure has come to be regarded, probably exaggeratedly so, as the autonomous factor which determines the rest of aggregate demand and as the lever by which the entire economy can be lifted. In economies heavily dependent on foreign trade, it is clear that exports are an autonomous factor influencing the level of activity in much the same manner as investment, and of at least the same,

and probably of much greater importance. Moreover, while exports are to a large extent an autonomous variable when looked at from the point of view of the exporting country, they are not autonomous when considered in the framework of a study which encompasses the entire world. In this wider framework, exports are seen as determined mainly by factors in the importing countries, in particular by the fluctuations in income in these countries. Thus a link is established between the chains of causation of various national economies, and the outline of an international economic system emerges.

The second part of the book gives statistical content to the theoretical concepts of the first part, on the basis of empirical data relating to twenty-five countries in different parts of the world during the interwar period. Particularly interesting are the findings for individual countries on the sensitivity of their exports to fluctuatons in world trade, on the multiplier, on the marginal propensity to import, and on the influence of autonomous factors such as the widely imposed restrictions of the 1930's. In the last chapter the findings for individual countries are compared and are then combined into a "world multiplier" which is used to interpret the major decline in world trade from 1929 to 1932.

—A. Gordon Huson
Associate Professor
U.W.O. School of Business Administration

INTERNATIONAL ECONOMICS

by Charles P. Kindleberger. Richarn D. Irwin, Inc., Homewood, Illinois, 1954. 543 pp. $6.00.

PRINCIPLES OF MONEY AND BANKING

by Richard W. Lindholm, John S. Balles and John M. Hunter. W. W. Norton & Co. Inc., New York, 1954. 673 pp. $5.90.

These are both undergraduate text books, but both have interest for businessmen.

Dr. C. P. Kindleberger, before going to the Massachusetts Institute of Technology, spent several years in U.S. administration in Washington, D.C.; so that although he writes essentially on the theory of international trade the reader may be assured that among theorists he passes as a man of affairs, while among men of affairs he has a reputation as a theorist. There are those who prefer the historical approach to teaching and discussing the problems of international trade, but Dr. Kindleberger is not among them. His approach is essentially theoretical, at times one might almost call it geometric, and he presumes at least one year's previous

study of economics. Without this, the reader will find the theory hard going, but the author's vivacity and independence of mind will help to hold his attention.

After such excellent analysis of economic equilibrium theory it is, however, disappointing that Dr. Kindleberger, in the light of his experience of the difficulties of putting theory into practice, could not devote more than two chapters to adapting international economic equilibrium theory to the current problems of international society. So often the path to economic equilibrium leads to such severe hardship for one group or more in society that men of affairs tend to reject its analysis and put obstacles in the way of its logical effects. It seems unlikely that ever again will laissez-faire doctrine have such influence that national economies will be allowed to suffer as severely from international competition as did, for example, the British farming community, nine-tenths destroyed under the full impact of the Prairies' grain production in the last quarter of the nineteenth century. It is in this difficult sphere of reconciling economic efficiency theory with political practicality that the fundamental and most interesting problems of international trade lie.

"The Principles of Money and Banking" are related to national income and fiscal policy. The authors of the second book come from the United States mid-west. They outline the origins of monetary systems, monetary theory, and the framework of the existing system, and proceed to discuss monetary and fiscal policy, concluding with four stimulating chapters on international finance.

—A. Gordon Huson
—Associate Professor
U.W.O. School of Business Administration

CANADA'S TOMORROW

Edited by G. P. Gilmour. The MacMillan Company of Canada Limited, Toronto, Ontario, 1954. 324 pp. $3.50.

"No man can say what shall be, and none would choose to know beforehand exactly what the future holds for him or for his country: but serious men must ponder on what may be and should be, since we must prepare for the future, and go out to meet it armed with physical and moral resources. To many nations, the next fifty years will present problems of survival and of unity, of needed change in institutions or traditions: but to Canada the next half-century presents a happier prospect, of a people greatly blessed with goods and resources, as yet unspoiled by power or riches, with a record of representative government remarkably free from corruption, and with habits of honesty and decency

of inestimable value. If it is not given to us to map the future, we can at least get a running start into it by discovering where we are and by what stages we have come thus far, and by gaining a sense of direction and an awareness of possible dangers.

"We are not yet a reading people in the best sense, a thoughtful people who have contributed richly to the world's philosophy, theology and political theories. But we are a people mature enough to indulge in self-examination; we are more self-conscious as a nation than we would have thought possible in 1903, and other people no longer take us for granted. But when they want to know more about us, they find us busy learning more about ourselves. The essays in this book represent one attempt at self-knowledge, self-discipline and self-direction."

With such stimulating language and ideas President Gilmour of McMaster University introduces the eight papers written by leaders of Canadian thought for the Canada's Tomorrow Conference held in Quebec City in November, 1953, and sponsored by the Canadian Westinghouse Company. The Business Quarterly has already emphasized the importance of this conference by publishing in its Spring issue parts of the paper written by Professor Maurice Lamontagne on the future role of government in Canada. This book contains not only his full paper but also contributions by B. K. Sandwell, M. W. Mackenzie, R. K. Stratford, D. W. Ambridge, N. A. M. MacKenzie, H. Neatby, D. G. Creighton, D. W. Brogan. Nearly three hundred Canadians gathered for two days to hear and discuss these papers, and there is a digest of their discussion. Like all symposiums, not all the papers are equally good, and this is apparent when the introduction sets such a high tone. But here is a serious and stimulating book to be read by every thoughtful Canadian interested in the future of his country and also by all those who have a stake or interest in Canada.

—A. Gordon Huson
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The Case of Mr. and Mrs. Rod Adams

A year ago The Business Quarterly published "The Case of Clarence Fogarty", the factual objective description of an actual business problem, in which, of course, the names of the company and individuals were disguised. The case was discussed and argued at numerous meetings of graduates who had added years of practical business experience to their training by the case discussion method. So much interest was aroused that The Business Quarterly has been frequently requested to supply another current Canadian business problem to readers.

"The Case of Mr. and Mrs. Rod Adams" raises that important problem where loyalty to firm and family conflict, a problem of growing importance as large scale organizations expect their staff to be mobile not only throughout the length and breadth of Canada but also overseas. Should a man be penalized for putting family and children's education first? Rod Adams was severely criticized for so doing by the students this summer at both the Sales Management and the Management Training Course at the University of Western Ontario. Would you be equally hard on him?

"The Case of Mr. and Mrs. Rod Adams" will again be discussed at the School of Business Administration by graduates with practical business experience as a part of the homecoming programme on the morning of Saturday, October 23.

IN April, 1953, the sales manager of Ajax Distributors, Ltd., received a letter from his field supervisor, urging that consideration be given to the rehiring of a former employee of the company. The employee, Mr. Rod Adams, had left the company three years earlier. His resignation had been accepted then by the company with great reluctance.

Company History

Ajax Distributors, Limited, was organized in 1916 to act as jobber and exclusive agent for products used in concrete construction. The main product distributed by the company was a material used for hardening concrete. In conjunction with this the company distributed iron rods and mesh, wire, light structural steel and other allied products. The chief customers were industrial concerns, building supply outlets, construction companies and the government. During the past ten years the company had been transformed under new and progressive management and a number of valuable agencies and rights had been secured for United States and European firms.

Basically, Ajax Distributors was a sales organization with warehousing being a key function. Some re-packaging was also done. Because it was necessary to develop a market for the above mentioned new agencies, a corps of well-trained, energetic salesmen was required. In 1949, these salesmen were considered well paid: on a salary and commission plan, the average salesman drew $4,500, while top salesmen earned slightly over $8,000. Actually, however, while the company appreciated a clever salesman, the company executives were also looking for potential executive ability, because they planned to expand the general office sales department and to open new branch offices. In 1949, there were fourteen such branch offices and the executive committee hoped that within

a period of five years an additional twelve to fifteen would be opened. At each branch warehouse, the manager was in charge of from one to ten salesmen, depending upon the size and potential of the area served.

The head office of the firm was in Hamilton, Ontario, where the sales manager, assisted by his field supervisor, was also in charge of the advertising department.

Expansion Programme

In view of the proposed expansion, the sales manager was instructed by the Board to step up his efforts to get 'good' men. He realized that this could not be done entirely at a central location. Often the men he sent out to the branches would not be completely acceptable because of a feeling on the part of the branch managers that they should have a hand in choosing the men who worked for them. Also, such a policy would, in effect, confine the company's source and contacts for new men to a smaller area. To help the branch managers hire intelligently, specifications had been prepared for salesmen whom they thought might later become executives. Such specifications were arrived at by a committee which studied some of the star salesmen and analysed the job to be done. The company, at this time, was seriously considering the use of a system of patterned interviews prepared by Dr. MacMurray, a consultant in the United States, as a further aid in the selection of employees.

The branch manager, after holding two interviews with candidates (at which, where possible, someone else from the warehouse was also present), made a specific recommendation when he sent forward the application to the sales manager for final decision. The company's policy was to promote men from within but, when this was found impossible, men were recruited from job bureaux, colleges, allied businesses, etc.

Rod Adams

During the course of recruiting, the Hamilton branch manager, whose office was in the executive building of the company, drew to the sales manager's attention an interesting application submitted by a Mr. Rod Adams. This application, (Exhibit 1), indicated that Adams was thirty-seven years of age, was married and had two children. He had the minimum educational requirements that the company desired, that is, Junior Matriculation. He had had no previous business experience, but had been with the Provincial Police Department for a number of years, where he had been steadily promoted and well regarded by both his superiors and the men with whom he worked. Mr. Adams pointed out in his application that he had gained wide experience in the field of public relations, while employed with the Provincial Police, where he had handled all types of people, from irate employers whose men he had had to arrest to the offenders themselves. The branch manager had secured former job information by writing to the Provincial Police at several points. Rod Adams also submitted the names of a bank manager and a minister as character references. The sales manager instructed his assistant to write to these people and to Adams' school principal to verify his educational record.

Rod Adams had lived in various places throughout Canada, but, since 1944, resided in Hamilton. He stated that he was willing to go elsewhere for the company. When asked to have a medical examination, he mentioned that he had recently been completely examined by his family doctor. The credit reports on this man showed that he occupied a rental home which he was able to obtain

on a very favourable basis under rent ceilings. This report further revealed that his average earnings had been about $250.00 per month. He did not have a car. He had a modest amount of insurance and was believed to have a savings account which was added to steadily in small amounts.

The sales manager and the branch manager decided to hire this man on the basis that he had made a very favourable impression on several executives and, in the meetings with him, they thought he would do very well in their business because he 'was a big, likeable chap'. When the general manager, heard of this hiring, he questioned at first its advisability because he was worried about the low earnings that Adams had had and felt that his position showed lack of initiative. Nevertheless, he was willing to accept the opinion of the sales manager and the branch manager.

Training Period

Rod Adams' training record was most satisfactory. He began the six-month training program which the company had established for salesmen at a starting salary of $175 per month. This programme called for spending two months in the plant, two months in the office and from six to eight weeks in a formalized sort of training involving lectures, role-playing, etc. At the end of this period the trainee was required to write and pass certain examinations covering the various phases of his training.

One of the branch managers in charge of Rod Adams during his training became well acquainted with his wife and family. He discovered that this couple were keenly interested in the welfare of their son who, in his third year high school, hoped to enter the medical profession. Prior to Adams obtaining his position with Ajax, their local physician became very interested in the boy and promised to help with his education, both on enrolment at university and financially, if necessary.

At the end of the training period, upon consultation with the sales manager, Adams was given a good sales post at the company's Port Arthur warehouse. This warehouse, which had been established for over 25 years, served approximately 80 customers. The sales volume had averaged $90,000 over the past three years. It was felt that the sales potential in this territory was increasing rapidly due to the growth of the pulp and paper industry and increasing activity in ferrous metals in that area. Upon completion of the training period, salesmen began selling on a basic salary of $150 per month, plus a car and an expense account, and the opportunity to earn an additional $150 to $200 per month on commissions. The basic salary was increased to $175 per month after one year, to $200 after the third year, and so on to conform to a sliding scale that had been established.

Adams seemed very enthusiastic about this move, but mentioned that he was very ambitious and would like to get ahead to the point where he could return to a larger branch, and eventually to the head office. He was told that, if his record was good, he might expect such a move in a period of three to five years depending on conditions and his progress.

While at the head of the lakes completing his preparatory training with the salesman from whom he was taking over, Adams seemed worried as to whether he could handle the job, how much money he would make, and particularly whether the older salesmen felt he might be able to get back to Western

Ontario. Finally this anxiety reached the point where Adams was not sleeping at nights and seemed physically ill during certain periods of the day. He finally asked permission of the Port Arthur manager to call the sales manager. This authority was granted as the local manager felt that it might be one way to get him straightened out. The sales manager talked with him and learned that he was experiencing the bewilderment common to some new salesmen. Finally, Adams asked flatly to be brought back to Hamilton and be given a territory there as he felt he needed more training. As he was due to return to Hamilton to get his wife within ten days' time, he was urged to discuss the matter then. He did so and at this point, the real source of trouble was revealed: Mr. Adams' wife did not want to go to Port Arthur.

The sales manager, who was 48 years of age, could think of similar instances that had taken place, and it had been his experience that in the majority of these cases it was just a matter of getting used to the new location. He recalled one recent case in which a man had objected strongly to a move to a northern Ontario town. Within two years, however, this man had become so well established among new friends and business acquaintances that he did not want to leave.

Believing this to be the case, the company agreed to send Mrs. Adams to Port Arthur, all expenses paid, to look over the situation. Mrs. Adams made the journey, but, instead of locating a house, she stayed less than twenty-four hours and then returned to Hamilton. Adams then wrote the sales manager and explained that he felt the real trouble was that his wife did not want to leave Hamilton now because, on sober consideration, she felt that it might affect the future of their boy, who would be entering the pre-medical course in two years' time. This was particularly so since she had reason to hope that he might secure some help from their friend, the doctor. The field supervisor, who had been taking a close interest in Mr. and Mrs. Adams, pointed out that this would possibly be just as readily obtainable from Port Arthur, but to no avail.

Adams' Resignation

During these negotiations, Adams seemed not only disappointed, but embarrassed, as he had stated on his application that he would be willing to go anywhere the company wished to send him. His only solution, however, was that he be given a territory in Hamilton or vicinity. Adams felt that he could do a good job here and be contented, and that eventually his wife might come to the viewpoint that they could move elsewhere. He had reluctantly said earlier that he would be forced to tender his resignation if these conditions could not be met.

Rod Adams had made many friends within the Head Office of this company, and serious consideration was given to his case, which, like all other matters involving a policy decision, was discussed at a general executive committee meeting. The sales manager, arguing against accepting Adams' conditions, stated that there were many other salesmen's wives who would like to choose the spot where their husbands were employed and keep them permanently and thus avoid the inconvenience of moving. His experience while building the business had been that men who stayed constantly in one place got into a comfortable rut, and were not the type of men considered suitable for advancement. He felt quite strongly that an employee should be willing to go wherever the company wished to send him. He also raised the question as to Adams' sincerity.

He pointed out that Adams, in his application for employment, had specifically agreed to go wherever the company wished to send him. The company had gone to considerable expense to train him and while accepting this training and the offer to send his wife to Port Arthur, Adams must have had some indication that he would eventually be unable to accept the conditions of such a move.

The field supervisor, whose opinions were held in high regard by all members of the executive, argued the other side of the case. He said that he had come to know Rod Adams and his family well, and was confident that Adams had been sincere, but that the move did impose some special hardships on his family at this time. In his view, the sales staff could be strengthened by such men as Rod Adams even if they remained in one location.

In spite of his satisfactory record in training and other obvious attributes, however, it was finally decided that Rod Adams' resignation must be accepted, although this decision was most reluctantly reached only by a small majority of the executive committee in view of the field supervisor's obvious wish to keep Adams in the Company.

Subsequently, Mr. Adams secured a job with a firm selling hospital supplies and was given a territory near Ottawa where he had to take rooms because Mrs. Adams remained in Hamilton. He was promised that as soon as a spot opened up in western Ontario he would be transferred. He continued to keep in touch with the field supervisor of his former company. Three years later, no western territory had been opened up, nor had be been promoted although his record had been an excellent one. As Ajax Distributors was continuing to expand and finding difficulty in finding suitable salesmen, the field supervisor decided to contact Adams and sound out his feelings with regard to his present position. Mr. Adams stated that he was about to resign the hospital supply job because his wife was still adamant over the Hamilton situation, and, as a territory had not become available, affairs at home were becoming strained.

Although during the three-year interval no basic changes had occurred in the company's personnel requirements regarding staff mobility, the field supervisor urged the sales manager to reopen the Adams case. The field supervisor suggested that he be given a position in Hamilton and that later, when conditions at his home had changed, he might be moved elsewhere.

* * * *

The following are the main questions and points raised by the 96 senior executives attending the Management Training Course at the University of Western Ontario during August 1954.

1. Would you re-hire Adams? Why?

2. What are the problems? Were they introduced by the rule regarding the necessity of Ajax employees being able and willing to make frequent moves?

3. Is Adams honest? Are there incorrect answers in his application? Is he sincere?

4. Are the company's executives pulling together? Is there not too much emphasis being placed on the development of executive talent?

5. Does the job at head office carry prestige? Is it useful as a reward for tried and successful men?

6. Is not Adams a weak character in the way he allows his wife to run things?

7. Is he using his wife to extract him from a situation he does not like? Was it not his duty to inform the company earlier about his special family situation?

8. Are the methods of hiring good? Is not the personnel department falling down here? Are they being too selective?

9. Should we change the policy of making it obligatory for all men to be willing and able to go anywhere in the country? What happens in the average company when a man refuses a move? Is this man good enough for an exception to be made in his favour?

10. Who is going to profit by this policy—young or old salesmen?

11. Will you get men suitable for promotion in the normal course of events?

12. Will this policy not cost you some good men?

13. Should not the attitude of Mrs. Adams have been known earlier by company management?

14. Have the company and the sales manager acted well?

EXHIBIT 1—

APPLICATION FOR POSITION

AJAX DISTRIBUTORS LTD., HAMILTON, ONTARIO

Date—*April 17, 1949*

Name—*Rod Adams*
Home Telephone No.—*7-4386.*
Present Address—*424 Elm Ave., Hamilton, Ont.*
How long have you lived there?—*3 years.*
Previous Address—*217 William Street, Hamilton, Ont.*
How long did you live there?—*2 years.*
Position Applied for?—*Salesman.*
Earnings expected (*as discussed*)

PERSONAL

Date of Birth—*Sept. 12, 1912.* Single Married √ Separated Widowed Divorced
Height—*6 ft. 2 in.* Weight—*190 lbs.* No. of Children—*2* Their ages—*10* & *15*
Nationality or Country of Allegiance—*Canadian.* No. of other dependents—
Religion—*Protestant.*
Name and address of father or nearest relative—*Mrs. C. R. Adams, Acton, Ont.*
Birthplace—*Acton, Ont.*
(town and province or state)
Do you own your home? Rent? √ Live with relatives? Board Stay with friends?

Would you be willing to work anywhere in Canada? Yes √ No
Do you own furniture? Yes √ No
Is your wife employed? No √ Yes part time Yes full time
Do you carry life insurance? No Yes √
What physical defects do you have? *None.* Date last medical—*Feb., 1949.*
Do you wear glasses? No √ Yes, only for reading Yes, all the time

EDUCATION

Type of School	Name and Address of School	Courses Majored in	Check last year completed	Graduate Give degrees	Last year attended
Public	*Acton P. School*	√	5 6 7 8√	√Yes No	1924
High School	*Acton High*	√	1 2√ 3 4 5	√Yes No	1926
College			1 2 3 4 5		19

Have you passed matriculation? Junior Yes√ No Senior Yes No
College Standing? Honours Pass
Extracurricular activities in H.S.?—*Football, Baseball, Student Assembly.*
What offices did you hold in these groups?
Extracurricular activities in College? Offices held?

WORK HISTORY

List positions held commencing with the most recent.	Time Employed	Nature of Work	Starting Salary	Salary at Leaving	Reasons for Leaving
1. *Ontario Prov. Police* √	*June '37*	*Police Constable*	*185/mo*	*300/mo*	*Present Employer*
2. *Hamilton Steel Co.*	*Apr. '34-May '37*	*Labourer*	*145/mo*	*160/mo*	*Good offer with more appealing work with Police Force*
3. *Acton Co-operative*	*June '26-Apr. '34*	*Attending customers and some delivery*	*110/mo*	*150/mo*	*Sought work with more opportunity to get ahead*

May we refer to above employers? √Yes No
Have you ever been refused bond? Yes No√
Have you any relatives in our employ? Yes No√

References (Not employers or relatives)	Address	Position
1. *Rev. A. S. Bessinger,*	*Acton United Church*	*Minister*
2. *Mr. R. A. Turner,*	*Hamilton*	*Bank Manager*
3. *Sgt. Blossenz,*	*Prov. Police, Hamilton*	*Sgt.*

Why do you wish to work for the Ajax Distributors Ltd.?—
I like meeting people. Have handled all kinds of groups in police work. Have heard Ajax is progressive and I want to get ahead.
When can you start work if employed?—*2 weeks' notice.*

McLEOD, YOUNG, WEIR & COMPANY
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